



**State of Tennessee
Health Services and Development Agency**

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

Date: February 11, 2016

To: HSDA Members

From:  Melanie M. Hill, Executive Director

Re: CONSENT CALENDAR JUSTIFICATION

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road - Georgetown (Hamilton County), TN – CN1511-051

The establishment of a four bed ICF/IID home for individuals with Intellectual Disabilities (ICF/IID) located on an unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel (Parcel 061 045) currently being addressed as 7817 Gamble Road in Georgetown (Hamilton County), Tennessee 37336, approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58. The estimated project cost is \$1,370,000.

As permitted by Statute and further explained by Agency Rule later in this memo, I have placed this application on the Consent Calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, Economic Feasibility and Contribution to the Orderly Development of Health Care appear to have been demonstrated as detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need. If you find one or more of the criteria have not been met, then a motion to deny is in order. Due to the sheer number of ICF/IID applications under review, some being recommended for CONSENT CALENDAR approval did not receive a 30-day review period.

At the time the application entered the review cycle on December 1, 2015, it was not opposed. If the application is opposed prior to it being heard, it will be moved to the bottom of the regular February agenda and the applicant will make a full presentation.

Summary

Open Arms Care Corporation d/b/a Hamilton County # 2 is seeking to establish a 4-bed ICF/IID home to be managed by Integra Resources, LLC. If approved, the facility will be located on an unaddressed site on a 1.5 acre lot on the southwest quadrant of a 15.5 acre parcel of land currently being addressed as 7817 Gamble Road in Georgetown (Hamilton County). The site will be adjacent to a companion application, CN1511-053, Open Arms Care Corporation d/b/a Hamilton County #1 located 0.1 mile to the east of the intersection of Gamble Road and Tennessee Highway 58. Please see the application for a description of the facility.

Open Arms operates over 30 facilities across Tennessee and according to the Department of Intellectual and Developmental Disabilities (DIDD) is very familiar with the licensing process through DIDD.

The need for this facility and all the proposed ICF/IID facilities that will be reviewed by the Agency over the next two months is the result of the closure of Greene Valley Developmental Center (GVDC), which is anticipated to close on June 30, 2016. GVDC is being closed as part of the Exit Plan in a 19-year old lawsuit by the Department of Justice against the State of Tennessee, which found unconstitutional conditions at the State of Tennessee's four developmental centers. The lawsuit will be fully dismissed once all residents of GVDC have been transferred into smaller homes in the community and GVDC is closed.

The following information came directly from the DIDD website and helps explain the need for this facility:

In April 1996, DIDD entered into a settlement agreement with the advocacy group People First, which had sued the state, charging violations of Civil Rights of Institutionalized Persons Act (CRIPA) at Clover Bottom and Greene Valley Developmental Centers. The United States Department of Justice strongly suggested that the state settle and, in December 1996, sued the state to become a party in the settlement negotiations.

Starting in May 2014, DIDD, the Bureau of TennCare and the Attorney General's office participated in court-ordered mediation for six months to reach an Exit Plan that ultimately will lead to the end of the nearly 20-year-old lawsuit. The Exit Plan was agreed to and executed by all of the parties to the lawsuit: the State, the U.S. Department of Justice, People First of Tennessee and the Parent Guardian Associations of Clover Bottom Developmental Center and Greene Valley Developmental Center.

On January 29, 2015, an order was issued by U.S. District Judge Kevin Sharp approving the Exit Plan. The order entered by Judge Sharp calls for a two-phase dismissal of the lawsuit based on the state completing obligations set forth in the Exit Plan.

The first phase is comprised of eight responsibilities DIDD and TennCare must complete by December 31, 2015 in order for the lawsuit to be partially dismissed.

The second phase requires the closure of Greene Valley Developmental Center in Greeneville by June 30, 2016. Upon closure, the lawsuit would be fully and finally dismissed.

More information can be found at <http://tn.gov/didd/topic/clover-bottom-exit-plan>.

When you open the link above you will also find a link identified as "Greene Valley Closure Plan" http://tn.gov/assets/entities/didd/attachments/GVDC_Closure_Plan_FINAL.pdf.

The closure plan provides very detailed information regarding the closure and community transition process. It also notes the State of Tennessee will no longer be a willing provider of Intermediate Care Facility services for Individuals with Intellectual Disabilities (ICF/IID) at Greene Valley Developmental Center (GVDC). Instead, it states current GVDC residents will receive appropriate services and supports in alternative, community-based settings. The plan notes the Vision and Mission of the Department of Intellectual and Developmental Disabilities is to support all Tennesseans with intellectual and developmental disabilities to live fulfilling and rewarding lives and to become the nation's most person-centered and cost effective state support system.

Finally, United States District Court Judge Kevin Sharp of the Middle District of Tennessee who has overseen the Exit Plan was quoted as saying the Plan is *'fair, reasonable and adequate'* and provides the next iteration of improvement to the lives of those with disabilities in Tennessee. It will test political will and legislative leadership to continue that progress and to determine how best to care for those often left in the shadows.

Please refer to the staff summary and the TDIDD report for a detailed narrative of the project.

Executive Director Justification -

I recommend approval of certificate of need application CN1511-051 to establish a 4-bed ICF/IID on Gamble Road in Georgetown (Hamilton County). The site is located on a currently unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel currently being addressed as 7817 Gamble Road, approximately 0.1mile east of the intersection of Gamble Road and Tennessee Highway 58. My recommendation for approval is based upon my belief the following general criteria for a certificate of need have been met.

Need- Need is met, as this will transition four residents from the announced closure of GVDC. This is the last obligation that must be met to settle the State's 19-year old lawsuit {DOJ (People First of Tennessee) et al. v. CBDC lawsuit}. Judge Sharp found the State's Exit Plan "fair, reasonable, and adequate". These residents will continue to receive appropriate services and supports but they will now receive them in a community-based setting and in a home-like environment.

Economic Feasibility- The project is economically feasible based upon the applicant obtaining a construction loan to build the facility and the cost-based Medicaid reimbursement it will receive which is set by the Comptroller's Office. Since the State of Tennessee is the payor for this service, this is much more economically feasible for the state.

Contribution to the Orderly Development of Health Care-According to DIDD, this criteria is met based upon this provider's proven track record of providing services within both state and federal

regulations, prior contractual relationships with both TennCare and the Department, and an understanding of both the intellectual disability population and the intellectual disability system in Tennessee. Additionally, it meets the goals set for GVDC residents to receive appropriate services and supports in alternative, community-based settings.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency-- 0720-10-.05 CONSENT CALENDAR

(1)Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.

(2)In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.

(4)If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.

(5)Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
FEBRUARY 24, 2016
APPLICATION SUMMARY**

NAME OF PROJECT: Open Arms Care Corporation d/b/a Hamilton County # 2

PROJECT NUMBER: CN1511-051

ADDRESS: 7817 Gamble Road (Southwest)
Georgetown, (Hamilton County), Tennessee 37336

LEGAL OWNER: Open Arms Care Corporation
6 Cadillac Drive, Suite 350
Brentwood, TN (Williamson County), TN 37027

OPERATING ENTITY: Integra Resources, LLC
144 Second Ave North
Nashville, TN 37201

CONTACT PERSON: Michael D. Brent, Attorney
(615)-252-6361

DATE FILED: November 10, 2015

PROJECT COST: \$1,370,000

FINANCING: Commercial Loan

REASON FOR FILING: The establishment of a 4 bed Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID). *The 4 beds are subject to the 160 bed ICF/IID Bed Pool.*

DESCRIPTION:

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road Southwest (Open Arms) is seeking approval to establish a 4 bed Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) on an unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

currently being addressed as 7817 Gamble Road in Georgetown (Hamilton County), Tennessee 37336. The site will be adjacent to the 4-bed Open Arms residential home proposed in a companion application, Open Arms Care Corporation d/b/a Hamilton County #1 Gamble Road Southeast, CN1511-053. Both of the proposed homes on the 15.5 acre property are approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58.

Open Arms Care Corporation is a Georgia non-profit corporation formed in 1986. As a licensed and Medicaid-certified ICF/IID provider, Open Arms has provided care for individuals in Tennessee requiring ICF/IID services since 1990. As noted on page R-11 and Attachment A.4 in the application, Open Arms currently operates 32 eight (8) bed ICF/IID resident homes and 5 licensed day treatment centers in multiple counties across Tennessee.

ICF/IIDs are intended to provide individuals with intellectual disabilities individualized health care and rehabilitation to promote their functional status and independence. All Open Arms resident homes in Tennessee are managed by Integra Resources, LLC, who will also manage the proposed facility in this project. Integra will be responsible for the provision of nursing care, support services, and therapy services including physical, occupational, speech, and nutritional therapy services. The applicant will serve 4 individuals currently residing in the Greene Valley Developmental Center located in Greeneville, (Greene County), TN.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW:

INTELLECTUAL DISABILITY HABILITATION FACILITY (ICF/IID) ICF/IID FACILITIES

A. Need

1. The population-based estimate of the total need for ICF/ID facilities is .032 percent of the general population. This estimate is based on the estimate for all mental retardation of 1 percent. Of the 1 percent estimate, 3.2 percent of those are estimated to meet level 1 criteria to be appropriate for ICF/ID services.

Application of this formula to the 2015 population of Hamilton County (352,955) results in a gross need for 113 ICF/IID beds.

It appears that this criterion has been met.

**Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road
CN1511-051
February 24, 2016**

2. The estimate for total need should be adjusted by the existent ICF-ID beds operating in the area as counted by the Department of Health, the Department of Mental Health and Substance Abuse Services, and the Department of Intellectual and Developmental Disabilities in the Joint Annual Reports."

Review of the information included in the application from the Department of Intellectual and Developmental Disabilities, there were 136 ICF/IID beds in Hamilton County in 2014. In light of the need for 113 beds in Hamilton County as a result of the population-based need formula in Criterion 1 above, the difference between the number of existing beds in operation and the estimated bed need calculates to a 23 ICF/IID bed surplus in Hamilton County.

However, the Department of Intellectual and Developmental Disabilities (DIDD) indicates 8 ICF/IID beds are needed for GVDC residents who have chosen to reside in Hamilton County after the closure of GVDC. In addition, DIDD indicates the existing ICF/IID beds in Hamilton County are full and there is not sufficient existing capacity in Hamilton County for those persons remaining at GVDC.

The applicant is proposing a new 4 bed ICF/IID resident home in a County where existing ICF/IIDs are operating at full capacity. Additionally, there are presently 76 ICF/IID beds available as of February 1, 2016 from the 160 Bed Pool authorized in TCA 71-5-105(b). Of the 76 available beds, there are 52 beds pending review by the HSDA Agency Members at upcoming Agency meetings in February-March 2016. A copy of the 160 Bed Pool Table is attached at the end of the HSDA staff summary.

As a result of these factors, it appears that this criterion has been met.

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity.

A table of driving distances and times for basic services from the proposed ICF/IID resident home location was provided in the application on page 21. Distances from the proposed facility to other existing ICF/IID resident homes in Hamilton County was provided in Supplemental 1. The distance

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

and driving time from the site of the proposed project to GVDC is approximately 164 miles and 2 hours and 38 minutes, respectively.

It appears that this criterion has been met.

2. The relationship of the socio-demographics of the service area and the project population to receive services should be considered. The proposal's sensitivity and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low-income groups, and those needing services involuntarily.

The proposed project will be providing services to individuals currently residing at GVDC who have chosen to reside in Hamilton County. These individuals have developmental disabilities and complex medical needs, which include tracheotomy care, tube feeding, oxygen administration, insulin injections, medication administration, and daily medical assessments. These services are available to all who need and qualify for services. The proposed project is within 25 miles, or 38 minutes driving time, of Parkridge East Hospital, a satellite hospital operating under the license of Parkridge Medical Center (621 total combined licensed beds). Both hospital campuses are located in Chattanooga (Hamilton County), TN.

It appears that this criterion has been met.

C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in state, city, county, and/or regional plans and other documents should be a significant consideration."

The Commissioner of the Department of Intellectual and Developmental Disabilities (DIDD) has submitted a letter that supports this application as it contributes to the policy of moving residents from large developmental centers which are inefficient and do not produce economies of scale due to older inefficient buildings to private operation of smaller 4 person ICF/IID resident homes which are more efficient and economically feasible for the state.

It appears that this criterion has been met.

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road
CN1511-051
February 24, 2016

2. The proposal's relationship to underserved geographic areas and underserved population groups such as identified in state, city, county, and/or regional plans and other documents should be a significant consideration.

The applicant indicates there are 75 individuals awaiting placement and this facility is one of several ICF/IID resident homes that are available to accept patients being discharged from GVDC.

It appears that this criterion has been met.

3. The impact of the proposal on similar services supported by state and federal appropriations should be assessed and considered.

Based on information provided in the 11/4/2015 memo from Terry-Jordan Henley of DIDD, there were 136 ICF/IID beds located in Hamilton County in 2014. As noted by the applicant on page 24 of the application, all the beds are currently occupied. Since the proposed project will serve current residents of GVDC, the project should have no impact on similar services supported by state and federal appropriations.

It appears that this criterion has been met.

4. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

The applicant has indicated that 96% of the funding for the proposed project will be TennCare reimbursement and 4% Supplemental Security Income (SSI).

It appears that this criterion has been met.

D. Relationship to Existing Similar Services in the Community

1. The area's trend in occupancy and utilization of similar services should be considered.

There are 136 existing ICF/IID beds currently in Hamilton County. These beds are currently occupied. If approved, this project will not impact the utilization of existing ICF/IID providers in Hamilton County.

It appears that this criterion has been met.

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

2. Accessibility to specific special need groups should be an important factor.

The proposed facility has been designed to accommodate needs of residents living with intellectual or developmental disabilities, including residents who are medically fragile. Residents will have access to family practice physicians and the local hospital. Open Arms, through its facility manager Integra Resources, will provide access to services provided by physical therapists, physical therapy assistants, occupational therapists, speech language pathologists, dietitians, nurses, and other licensed clinical professionals, as appropriate.

It appears that this criterion has been met.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italics.

Open Arms Care Corporation (Open Arms) proposes to construct a new 4-bed Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) in Georgetown (Hamilton County), TN for the purpose of transitioning 4 individuals into a smaller, resident home located in the community. The proposed facility will house 4 current residents of the Greene Valley Developmental Center (GVDC), Greenville (Greene County), TN. Open Arms resident home ICF/IID beds are designed to provide long term residential supports to individuals with intellectual and developmental disabilities. ICF/IIDs provide comprehensive and individualized health care and rehabilitation services to promote the functional status and independence of individuals with intellectual disabilities.

These individuals have developmental disabilities and complex medical needs, which may include tracheotomy care, tube feeding, oxygen administration, insulin injections, medication administration, and daily medical assessment. The age range of the men and women with developmental disabilities who need ICF/IID services is 18-70.

**Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road
CN1511-051
February 24, 2016**

Open Arms employs nursing staff, physical therapists, occupational therapists, and speech language pathologists.

The following chart displays the availability of essential services to residents of the proposed project.

Service	Closest Location	Driving Distance	Driving Time
Nearest Incorporated City	Chattanooga, TN	26.4 miles	42 minutes
Hospital	Parkridge East Hospital	24.9 miles	38 minutes
Physician Offices	Physicians Care Cleveland, TN	14.3 miles	21 minutes
EMS/Fire Station	Highway 58 Volunteer Fire Department	1.7 miles	3 minutes
Day Treatment (if applicable)	Open Arms Day Center	14.4 miles	22 minutes
Green Valley Development Center		164 miles	2 hours 38 minutes

Source: CN1510-051, Mapquest.com for Physician Office

Note to Agency members: The following statement from the DIDD Report on the proposed project provides history and development of 4-bed ICF/IID homes as follows: "The need for the development of the four bed ICF/IID home comes as a direct result of the announced closure of the last large state owned developmental center, Greene Valley Developmental Center (GVDC), which is anticipated to close on June 30, 2016. The closure of GVDC is part of an Exit Plan in a nineteen (19) year old lawsuit against the state of Tennessee by the Department of Justice (People First of Tennessee et.al. v. The Clover Bottom Developmental Center et. Al. No. 3:95-1227), which requires the state of Tennessee to close the Greene Valley Developmental Center and relocate the residents to smaller four person ICF/IIDs in the community." As noted above GVDC is scheduled to close June 30, 2016 but could be extended up to 12 additional months.

The target date for completion of the project is November 2016.

ICF/IID Bed Pool

T.C.A. §71-5-105(b) enacted by the General Assembly, seeks to increase the total number of ICF/IID beds by 160 beds. These beds are then intended to be filled by individuals from state operated Developmental Centers.

- The applicant is requesting 4 beds from the bed pool as the residents of the proposed project currently reside in GVDC.

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

- As of February 1, 2016, there are currently 76 ICF/IID beds available in the bed pool with 52 ICF/IID beds pending review at HSDA Agency meetings in February – March 2016.
- A copy of the 160 Bed Pool Report is attached at the end of this summary.

Ownership

- Open Arms Care Corporation is a Georgia non-profit corporation formed in December 1986. Open Arms is licensed by DIDD to provide Medical Residential and Supported Living and licensed day treatment center services throughout Tennessee.
- Formerly known as the Rebound Care Corporation prior to calendar year 2000, Open Arms has 32 eight (8) bed ICF/IID facilities or licensed residential institutional habilitation facilities (resident homes) with locations in Shelby, Davidson Williamson, Hamilton and Knox Counties. Open Arms also operates 5 licensed day treatment centers in Tennessee. Please refer to the organizational chart in Attachment A.4 for a listing of these locations.
- In Hamilton County, Open Arms presently operates 8 resident homes and 2 day treatment centers.
- Open Arms will be the licensed operator of the proposed 4-bed ICF/IID resident home with day-to-day management to be contracted with Integra Resources, LLC, the manager of all existing Open Arms licensed facilities in TN.
- Open Arms will lease the facility from WCO AL DP, LLC (landlord), a subsidiary of Woodbine Community Organization. WCO is a TN non-profit corporation with no relationship to the applicant other than a contractual relationship for the land and building leases of all 32 Open Arms ICF/IID facilities in TN.
- WCO will purchase the land and building for the project through a development agreement with Facilities Development Group, LLC, subject to FDG's acquisition of the land from the current owner.
- Documentation of the applicant's legal interest in the site, including a visual/chart showing the key phases of the development arrangement between the parties, is provided in the November 20, 2015 Supplemental Response.

Facility Information

- The facility will be a newly constructed 2,800 square foot, one story fully sprinkled and accessible home on a 1.5 acre lot of a 15.5 acre parcel.

**Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road
CN1511-051**

February 24, 2016

- If approved, the proposed resident home and the resident home proposed in its companion application, Open Arms Care Corporation d/b/a Hamilton County # 1 Gamble Road (Southeast), CN1511-053, will both be located on the same 15.5 acre parcel.
- The home will consist of a living room, dining room, kitchen, laundry room, four bed rooms, 2 1/2 bathrooms, screened porch, an outside storage closet, and a carport.
- A backup generator will be available on-site to ensure essential resident services are not interrupted by unexpected power outages.

Project Need

The applicant provided the following justification for the project:

- The current bed need formula identified a need for 113 ICF/IID beds in Hamilton County.
- Subtracting the existing 136 ICF/IID beds in Hamilton County results in a net surplus of 23 ICF/IID beds. However, the Department of Intellectual and Developmental Disabilities indicates 8 *ICF/IID* beds are needed for GVDC residents who want to reside in Hamilton County after the closure of GVDC.
- The revised combined average of the existing ICF/IID beds in Hamilton County shown in the table on pages 23 and 24 of the application calculates to approximately 91.7% occupancy in 2014.
- The families and conservators for individuals moving out of GVDC are requesting that their family members move to ICF beds in the community setting.

Service Area Demographics

The applicant's declared service area is Hamilton County. An overview of the service area is provided as follows:

- The total population of Hamilton County is estimated at 352,955 residents in calendar year (CY) 2015 increasing by approximately 3.6% to 365,577 residents in CY 2019.
- The overall statewide population is projected to grow by 4.5% from 2015 to 2019.
- The 65 and older population is expected to comprise approximately 18.4% of the total county population in CY2019 compared to 17.3% statewide.
- The 65 and older population of Hamilton County will increase by approximately 14.0% from CY2015 to CY2019 compared to a statewide increase of 16% during the period.

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

- Based on October 2015 TennCare enrollee statistics, TennCare enrollees as a percentage of the total county population is 19.0%, compared with the state-wide average of 21.7%.

Historical Utilization

There are currently 24 bed ICF/IID resident homes with a combined total of 136 ICF/IID beds in Hamilton County.

The facilities are owned and operated by Open Arms (8 homes, 80 beds) and Orange Grove (16 homes, 56 beds). Historical utilization for these facilities is presented in the following table.

Hamilton County ICF/IID Home Utilization-2012-2014

	2012	2013	2014
# Homes	26	25	24
Licensed Beds	156	144	136
ADC	144	139	136
% Occupancy	92.7%	93.6%	91.7%

Source: CN1511-051

The historical utilization table reflects the following:

- The occupancy of the ICF/IID licensed resident homes in Hamilton County averaged approximately 92.7% from 2012-2014.

Projected Utilization

The following table shows the projected utilization of the project.

Applicant's Facility Projected Utilization

Year	Licensed Beds	% Licensed Occupancy
*Year 1	4	100.0%
*Year 2	4	100.0%

Source: CN1510-051

- The applicant expects to operate at full occupancy each of the first two years of operation.

Project Cost

The total project cost is \$1,370,000. Major costs are:

- Facility Lease - \$1,327,500 or 96.7% of total cost.
- Contingency Fund-\$24,424 or 1.8% of total cost

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

- For other details on Project Cost, see the revised Project Cost Chart on page R-29 in the application.

Funding

A 11/20/2015 letter provided in Supplemental 1 from Bill Barrel, Senior Vice President and Director of Healthcare Funding, ServisFirst Bank, confirmed the availability of a \$8,000,000 commercial loan for the construction and permanent financing of up to 9 Open Arms ICF/IID facilities to facilitate the transition of residents from the Greene Valley Development Center.

- The terms of the loan include a 7 year maturity date with interest anticipated at approximately 7.75%-8.25%, subject to market conditions and the loan to value ratio.
- Per Supplemental 2, the ServisFirst Bank management representative confirmed that Facilities Development Group, LLC (developer) would be allowed to assign the loan to WCO (landlord of proposed home) who would assume responsibility for repayment.
- Although the applicant will be leasing the proposed ICF/IID 4-bed facility, the total estimated acquisition and construction cost amounts to approximately \$885,000 per the detail shown on page 31 of the application.
- The applicant has the means to meet annual lease payments estimated at \$88,500 in Year 1 of the project. Review of Open Arms audited financial statements for the fiscal year ending 12/31/2014 revealed Cash and Cash Equivalents of \$1,376,934, Current Assets of \$5,539,244 and Current Liabilities of \$4,110,353 for a current ratio of 1.35 to 1.0.

Note to Agency members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Historical Data Chart

- The proposed new 4-bed facility has no historical financial information.
- As a whole, review of the audited Consolidated Statement of Operations and Changes in Net Assets revealed Open Arms realized \$38,824,554 in total unrestricted revenues for the fiscal year (FY) period ending 12/31/2014.
- Based on approximately \$35,777,817 in total operating expenses, Open Arms realized approximately favorable earnings of approximately

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

\$3,046,737 before interest, depreciation, taxes and amortization (EBIDTA) during FY 2014.

Projected Data Chart

The applicant projects \$1,004,405.00 in total gross revenue on 1,460 patient days in Year 1 increasing by 1.9% to \$1,024,493 on 1,460 patient days in Year 2 (approximately \$701.70 per day). The applicant projects breakeven in both Years 1 and 2 so that no net income is projected.

Charges

The average gross daily patient charge is projected to be \$687.95/day in Year 1 increasing to \$701.70/day in Year 2. Since there are no deductions from revenue reported, the net charge is the same. Review of the charges of existing ICF/ID group homes in Hamilton County provided in Item 3 of Supplemental 2 revealed a range of approximately \$370.79/day-\$588.75/day. Per the applicant, the average charge of the proposed facility is higher as a result of pricing based on costs spread over a smaller number of patients in a 4 bed ICF/ID group home compared to the 8 bed group homes of several existing providers in the county. *Note: The applicant identified 24 ICF/ID group homes in Hamilton County in the table on pages 23 and 24 of the application. Of these, all 8 homes operated by Open Arms are 8 bed homes and 3 of the 16 homes operated by Orange Grove are 8 bed homes. The average charge of the Orange Grove 4-bed homes provided in Supplemental 2 calculates to approximately \$515.90/day.*

Medicare/TennCare Payor Mix

The applicant expects the proposed project to be funded 100% by TennCare/Medicaid.

Staffing

Total estimated staffing is estimated at approximately 16.35 fulltime equivalents (FTE) in Year 1. A breakout of the staffing in Year 1 includes the following:

- 0.5 FTE Resident Manager
- 0.5 FTE Qualified MR Professional
- 0.33 FTE Registered Nurse
- 2.8 FTE Licensed Practical Nurse
- 0.38 FTE Physical, Occupational and Speech Therapists
- 11.23 FTE Direct Support Staff
- 0.11 FTE Admin/Support Staff
- 0.5 FTE Maintenance Director

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road
CN1511-051

February 24, 2016

Note: Generally speaking, one (1) FTE is equivalent to an individual that works 2,080 regular hours per year.

Licensure/Accreditation

If approved, the proposed facility will be licensed by the Department of Intellectual and Developmental Disabilities. A copy of the 01/26/2015 annual survey inspection conducted by DIDDs for Open Arms facilities in Ooltewah (Hamilton County) is included in the application attachments. DIDD accepted the provider plan of correction and provided written notice of same on 02/18/2015.

Corporate documentation and site control documents are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied applications, or outstanding Certificates of Need for this applicant.

Pending Applications

Open Arms Care Corporation dba Greeneville # 1 Chuckey Pike, CN1511-050, has a pending application that is scheduled to be heard at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the east side of a 2.72 acre lot on Chuckey Pike, Greeneville (Greene County, TN. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Greeneville #3 East Church Street-East, CN1511-052, has a pending application that is scheduled to be heard at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the east half of a 2.74 acre lot on East Church Street, Greeneville (Greene County), TN. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Hamilton County #1 Gamble Road (Southeast), CN1511-053, has a pending application that will be heard at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the southeast quadrant of a 15.5 acre lot on 7817 Gamble Road ,

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

Georgetown (Hamilton County), TN 37336. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Greeneville #2 East Church Street-West, CN1511-054, has a pending application that is scheduled to be heard at the February 24, 2016 Agency meeting for the establishment of a 4 person ICF/IID home on the west half of a 2.74 acre lot on East Church Street, Greeneville (Greene County), TN. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Knox County #4 South Northshore Drive (Northwest), CN1512-064, has a pending application that will be heard at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on a 0.95 acre lot on the northwest half of a 1.91 acre parcel currently addressed as 12629 South Northshore Drive in Knoxville (Knox County), Tennessee 37922. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Knox County #3 South Northshore Drive (Southeast), CN1512-065, has a pending application that will be heard at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on a 0.95 acre lot on the southeast half of a 1.91 acre parcel currently addressed as 12629 South Northshore Drive in Knoxville (Knox County), Tennessee 37922. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Knox County #1 Bishops Bridge (Northeast), CN1512-062, has a pending application that will be heard at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on an unaddressed lot with approximately 0.25 acres in the northeast quadrant of a 7.2 acre parcel currently addressed as 1817 Bishops Bridge Road in Knoxville (Knox County), Tennessee 37922. The estimated project cost is \$1,370,000.

Open Arms Care Corporation dba Knox County # 2 Bishops Bridge (Northwest), CN1512-063, has a pending application that will be heard at the March 23, 2016 Agency meeting for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on an unaddressed lot with approximately 0.25 acres in the northwest quadrant of a 7.2 acre parcel currently addressed as 1817 Bishops Bridge Road in Knoxville (Knox County), Tennessee 37922. The estimated project cost is \$1,370,000.

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road
CN1511-051

February 24, 2016

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL DIABILITIES FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG

01/25/2016

Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road

CN1511-051

February 24, 2016

ICF/IID BED POOL STATS

T.C.A. §71-5-105(b) 160 BED POOL

ICF/IID Beds APPROVED Since July 1, 2006	84 ICF/IID Beds
ICF/IID Beds DENIED Since July 1, 2006	0 ICF/IID Beds
Total Beds AVAILABLE from Bed Pool	76 ICF/IID Beds

ICF/IID Beds PENDING

52 ICF/IID beds

COUNTY	PROJECT NUMBER	FACILITY	PROJECT DISPOSITION	MEETING DATE	DESCRIPTION
Davidson	CN0707-053	Mur-Ci Homes, Inc.	Approved Implemented 5/13/2009	10/24/2007	The addition of 32 residential ICF/IID beds to the existing 40 beds. Four single story buildings with eight (8) single bedrooms to be built on the existing property site. Located at 2984 Baby Ruth Lane, Antioch, Tennessee.
Hamilton	CN0807-044	Orange Grove Center 3406 Chandler Avenue	Approved Implemented 1/17/2010	10/22/2008	The establishment of a four (4) bed ICF/IID home for four (4) residents who will be referred or transferred from a State of Tennessee Developmental Center. Located at 3406 Chandler Avenue, Chattanooga, Tennessee.
Hamilton	CN0807-045	Orange Grove Center 3406 Chandler Avenue	Approved Implemented 1/17/2010	10/22/2008	The establishment of a four (4) bed ICF/IID home for four (4) residents who will be referred or transferred from a State of Tennessee Developmental Center. Located at 3406 Chandler Avenue, Chattanooga, Tennessee.
Bradley	CN0809-064	Bradley/Cleveland Services, Inc. Site A between 183 and 217 Kile Lake Road, SE	Approved Implemented 2/24/2011	12/17/2008	The establishment of a four (4) bed ICF/IID home for four (4) residents who will transfer or be referred from a State of Tennessee development center. Site A will be located between 183 and 217 Kile Lake Road, SE, Cleveland, Tennessee.
Bradley	CN0809-065	Bradley/Cleveland Services, Inc. Site B between 183 and 217 Kile Lake Road, SE	Approved Implemented 2/24/2011	12/17/2008	The establishment of a four (4) bed ICF/IID home for four (4) residents who will transfer or be referred from a State of Tennessee development center. Site B will be located between 183 and 217 Kile Lake Road, SE, Cleveland, Tennessee.
Rutherford	CN0810-076	Tennessee Family Solutions, Inc. 722-724 Stone Trace Drive	Approved Implemented 9/1/2009	1/28/2009	The addition of four (4) ICF/IID beds by converting two (2) zero lot line residences at 722-724 Stone Trace Drive, Murfreesboro (Rutherford County), TN into a four (4) bed ICF/IID.
Rutherford	CN0810-079	Tennessee Family Solutions, Inc. 1502-1504 Rochester Drive	Approved Implemented 7/19/2011	1/28/2009	The addition of four (4) ICF/IID beds by converting two (2) zero lot line residences at 1502-1504 Rochester Drive, Murfreesboro (Rutherford County), TN into a four (4) bed ICF/IID.

ICF/IID BED POOL STATS

Updated 2/5/2016

Page 1 of 3

Rutherford	CN0810-080	Tennessee Family Solutions, Inc. 1727-1729 Thomas Court	Approved 1/7 Implemented - 7/1/2010	1/26/2009	The addition of four (4) ICF/IID beds by converting two (2) zero lot line residences at 1727-1729 Thomas Court, Murfreesboro (Rutherford County), TN into a four (4) bed ICF/IID.
Rutherford	CN0810-081	Tennessee Family Solutions, Inc. 1432-1434 Rochester Drive	Approved Implemented - 7/1/2010	1/28/2009	The addition of four (4) ICF/IID beds by converting two (2) zero lot line residences at 1432-1434 Rochester Drive, Murfreesboro (Rutherford County), TN into a four (4) bed ICF/IID.
Greene	CN0812-117	Comcare, Inc.	Approved Implemented - 3/16/2011	5/27/2009	The establishment of a four (4) bed ICF/IID program in an existing facility. This program will service four (4) people with mental disabilities who will transfer from Greene Valley Developmental Center or other State Developmental Centers. Location will be at 52 Whitwind, Greenville, Tennessee.
Greene	CN0812-118	Comcare, Inc.	Approved Implemented - 3/16/2011	5/27/2009	The establishment of a four (4) bed ICF/IID program in an existing facility. This program will service four (4) people with mental disabilities who will transfer from Greene Valley Developmental Center or other State Developmental Centers. Location will be at 8 Burkey Road, Greenville, Tennessee.
Greene	CN0812-119	Comcare, Inc.	Approved Implemented - 4/27/2011	5/27/2009	The establishment of a four (4) bed ICF/IID program in an existing facility. This program will service four (4) people with mental disabilities who will transfer from Greene Valley Developmental Center or other State Developmental Centers. Location will be at 118 Marshall Lane, Greenville, Tennessee.
Roane	CN1509-038	Michael Dunn Center	Approved	12/16/2015	The establishment of a four (4) bed ICF/IID home for four (4) residents located at 313 Michael Dunn Drive in Rockwood (Roane County), Tennessee 37748.
Greene	CN1510-049	Sunrise Community of Tennessee	Approved	1/27/2016	The establishment of a four (4) bed ICF/IID home on 640 Old Shiloh Road, Greenville, Tennessee.
Greene	CN1511-050	Open Arms Care Corporation dba Greenville #1 Chuckey Pike	Pending	2/24/2016	The establishment of a four (4) person ICF/IID home on the east side of a 2.72 acre lot on Chuckey Pike, Greenville, Tennessee.
Hamilton	CN1511-051	Open Arms Care Corporation dba Hamilton County #2 Gamble Road - Southwest	Pending	2/24/2016	The establishment of a four (4) person ICF/IID home on the southwest quadrant of a 15.5 acre lot on Gamble Road, Georgetown, Tennessee.
Greene	CN1511-052	Open Arms Care Corporation dba Greenville #3 East Church Street East	Pending	2/24/2016	The establishment of a four (4) person ICF/IID home on the east half of a 2.74 acre lot on East Church Street, Greenville, Tennessee.
Hamilton	CN1511-053	Open Arms Care Corporation dba Hamilton County #1 Gamble Road - Southeast	Pending	2/24/2016	The establishment of a four (4) person ICF/IID home on the southeast quadrant of a 15.5 acre lot on Gamble Road, Georgetown, Tennessee.
Greene	CN1511-054	Open Arms Care Corporation dba Greenville #2 East Church Street West	Pending	2/24/2016	The establishment of a four (4) person ICF/IID home on the west half of a 2.74 acre lot on East Church Street, Greenville, Tennessee.
Greene	CN1511-055	Sunrise Community of Tennessee	Pending	2/24/2016	The establishment of a four (4) bed ICF/IID home on Quaker Knob Road, Chuckey, Tennessee.
Greene	CN1512-059	D & S Residential Services, LP	Pending	3/23/2016	The establishment of a four (4) bed ICF/IID home on 1010 Old Stage Road, Greenville, Tennessee.

Greene	CN1512-060	D & S Residential Services, LP	Pending 18	3/23/2016	The establishment of a four (4) bed ICF/IID home on 2609 Erwin Highway, Afton, Tennessee
Greene	CN1512-061	D & S Residential Services, LP	Pending	3/23/2016	The establishment of a four (4) bed ICF/IID home on 2619 Erwin Highway, Afton, Tennessee
Knox	CN1512-062	Open Arms Care Corporation	Pending	3/23/2016	The establishment of a four (4) bed ICF/IID home on the northeast corner of 1817 Bishop Bridge Road, Knoxville, Tennessee
Knox	CN1512-063	Open Arms Care Corporation	Pending	3/23/2016	The establishment of a four (4) bed ICF/IID home on the northwest corner of 1817 Bishop Bridge Road, Knoxville, Tennessee
Knox	CN1512-064	Open Arms Care Corporation	Pending	3/23/2016	The establishment of a four (4) bed ICF/IID home on the northwest half of 12629 South Northshore Drive, Knoxville, Tennessee
Knox	CN1512-065	Open Arms Care Corporation	Pending	3/23/2016	The establishment of a four (4) bed ICF/IID home on the southeast half of 12629 South Northshore Drive, Knoxville, Tennessee

LETTER OF INTENT



State of Tennessee 20
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364


Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Chattanooga Times Free Press, which is a newspaper of general circulation in Hamilton County, Tennessee, on or before November 7, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the establishment of a four-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), to be managed by Integra Resources, LLC, a Tennessee limited liability company. The facility will be located on a lot which does not currently have a separate street address, such lot to be approximately 1.5 acres in the southwest quadrant of a parcel of land which is approximately 15.5 acres, the entire 15.5 acres currently being addressed as 7817 Gamble Road, Georgetown (Hamilton County), Tennessee 37336, which is located approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58, and also described as Parcel 061 045 in the records of the Hamilton County Tax Assessor. The facility is being established to transition four individuals from the Greene Valley Developmental Center, which is scheduled to close on June 30, 2016. The estimated project cost is \$1,370,000.00.

The anticipated filing date of the application is on or before November 11, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


(Signature)

Nov. 6, 2015
(Date)

mbrent@babbc.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

COPY

OPEN ARMS

CARE

CORPORATION

CN1511-051

1.	<u>Name of Facility, Agency, or Institution</u> <u>Open Arms Care Corporation d/b/a Hamilton County #2 Gamble Road (Southwest)</u> <u>Name</u> <u>7817 Gamble Road</u> <u>Hamilton</u> <u>Street or Route</u> <u>County</u> <u>Georgetown</u> <u>Tennessee</u> <u>37336</u> <u>City</u> <u>State</u> <u>Zip Code</u>			
2.	<u>Contact Person Available for Responses to Questions</u> <u>Michael D. Brent</u> <u>Attorney</u> <u>Name</u> <u>Title</u> <u>Bradley Arant Boult Cummings LLP</u> <u>mbrent@babbc.com</u> <u>Company Name</u> <u>Email Address</u> <u>1600 Division Street, Suite 700</u> <u>Nashville</u> <u>TN</u> <u>37203</u> <u>Street or Route</u> <u>City</u> <u>State</u> <u>Zip Code</u> <u>Attorney for Manager</u> <u>615-252-361</u> <u>615-252-6361</u> <u>Association with Owner</u> <u>Phone Number</u> <u>Fax Number</u>			
3.	<u>Owner of the Facility, Agency or Institution</u> <u>Open Arms Care Corporation</u> <u>(615)-254-4006</u> <u>Name</u> <u>Phone Number</u> <u>6 Cadillac Drive, Suite 350</u> <u>Williamson</u> <u>Street or Route</u> <u>County</u> <u>Brentwood</u> <u>TN</u> <u>37027</u> <u>City</u> <u>State</u> <u>Zip Code</u>			
4.	<u>Type of Ownership of Control (Check One)</u> <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> A. Sole Proprietorship _____ B. Partnership _____ C. Limited Partnership _____ D. Corporate (For Profit) _____ E. Corporation (Not-for-Profit) <u>X</u> </div> <div style="width: 48%;"> F. Government (State of TN or Political Subdivision) _____ G. Joint Venture _____ H. Limited Liability Company _____ I. (Other) Specify _____ </div> </div>			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER OF ALL ATTACHMENTS.

5. Name of Management/Operating Entity (If Applicable)

Integra Resources, LLC

Name

144 Second Avenue North

Davidson

Street or Route

County

Nashville

TN

37201

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

6. Legal Interest in the Site of the Institution (Check One)

- A. Ownership _____ D. Option to Lease _____ **X**
 B. Option to Purchase _____ E. Other (Specify) _____
 C. Lease of ___ Years _____

**PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER
AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL
ATTACHMENTS**

7. Type of Institution (Check as appropriate—more than one response may apply)

- | | |
|---|---------------------------------------|
| A. Hospital (Specify) _____ | I. Nursing Home _____ |
| B. Ambulatory Surgical Treatment _____ | J. Outpatient Diagnostic Center _____ |
| Center (ASTC), Multi-Specialty _____ | K. Recuperation Center _____ |
| C. ASTC, Single Specialty _____ | L. Rehabilitation Facility _____ |
| D. Home Health Agency _____ | M. Residential Hospice _____ |
| E. Hospice _____ | N. Non-Residential Opioid _____ |
| F. Mental Health Hospital _____ | Treatment Facility _____ |
| G. Mental Health Residential _____ | O. Birthing Center _____ |
| Treatment Facility _____ | P. Other Outpatient Facility _____ |
| H. Mental Retardation Institutional _____ | (Specify) _____ |
| Habilitation Facility (ICF/MR) X | Q. Other (Specify) _____ |

8. Purpose of Review (Check as appropriate—more than one response may apply)

- | | |
|---|-----------------------------------|
| A. New Institution _____ X | G. Change in Bed Complement _____ |
| B. Replacement/Existing Facility _____ | [Please note the type of change |
| C. Modification/Existing Facility _____ | by underlining the appropriate |
| D. Initiation of Health Care _____ | response: Increase, Decrease, |
| Service as defined in TCA _____ | Designation, Distribution, |
| § 68-11-1607(4) _____ | Conversion, Relocation] _____ |
| (Specify) _____ | H. Change of Location _____ |
| E. Discontinue of OB Services _____ | I. Other (Specify): _____ |
| F. Acquisition of Equipment _____ | |

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

Response:

		<i>Current Beds</i>		<i>Staffed</i>	<i>Beds</i>	<i>TOTAL</i>
		<i>Licensed</i>	<i>*CON</i>	<i>Beds</i>	<i>Proposed</i>	<i>Beds at Completion</i>
A.	Medical					
B.	Surgical					
C.	Long-Term Care Hospital					
D.	Obstetrical					
E.	ICU/CCU					
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P.	ICF/MR				4	4
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
TOTAL					4	4

*CON—Beds approved but not yet in service.

10. Medicare Provider Number N/A
Certification Type N/A

11. Medicaid Provider Number TBD
Certification Type _____

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?
Response: Yes

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area. N/A

Response to Section A, Item 3: Please see Attachment A.3.

Response to Section A, Item 4: Founded to address the needs of those moving out of large, state-run institutions, Open Arms Care Corporation, a Georgia nonprofit corporation ("Open Arms"), has 32 eight-resident homes, or Intermediate Care Facilities for Individuals with Intellectual Disabilities ("ICF/IID"), located in or near Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. Please see Attachment A.4 for a list of facilities operated by Open Arms in Tennessee.

Through provider agreements with TennCare, Open Arms has been providing community-based facilities for individuals with intellectual and developmental disabilities for more than 25 years. Open Arms has no ownership shares or membership interests and is board-managed. Though Open Arms is a Georgia nonprofit corporation, the board of Open Arms is considering converting to a Tennessee nonprofit corporation. If the ultimate decision is to make such a conversion, a new Tennessee nonprofit corporation would be created and the existing Georgia corporation would be merged into it, with the result being that Open Arms would be a Tennessee corporation. The laws of some states allow a simpler process whereby a nonprofit corporation can change its domicile from one state to another, but that is not currently allowed for transitions from a Georgia to a Tennessee corporation.

Response to Section A, Item 5: Integra Resources, LLC ("Integra") manages all of Open Arms' ICF/IID facilities and is equally owned by SMI Group, LLC and Flatrock Investors, LLC. SMI Group, LLC is, in turn, equally owned by George Stevens and Jeff Mastroleo, while Flatrock Investors, LLC is equally owned by Joseph Torrence and Richard Brown.

George Stevens, Jeff Mastroleo, Joseph Torrence, and Richard Brown have directly applicable experience in areas including healthcare operations, affordable housing operations, financing and management, government service in the areas of mental health and affordable housing, and executive-level management of healthcare providers.

A copy of the management agreement with Integra is included as Attachment A.5.1 and copies of more information about its principals are collectively included as Attachment A.5.2.

Response to Section A, Item 6: The Applicant has an option to lease the building and the land upon which the building is located from WCO AL DP, LLC (the "Landlord"). The Landlord is a subsidiary of Woodbine Community Organization, a Tennessee nonprofit corporation, and has no relationship with Open Arms, other than a contractual relationship from the current leases to Open Arms of buildings and land for the operation of its 32 current facilities. The Landlord will purchase the land and building for the project from Facilities Development Group, LLC ("Developer") pursuant to a Development Agreement between the Landlord and Developer, after Developer has acquired and financed the land pursuant to the contract attached as Attachment A.6 and then arranged the construction and financing of the proposed facility. Open Arms then has an option to lease the completed, fully furnished facility from the Landlord. Please see Attachment A.6 for copies of the

Development Agreement and Option to Lease, and an illustration of the transactions between the parties.

Response to Section A, Item 13: The Applicant currently has contracts with the following Managed Care Organizations: AmeriGroup, TennCare Select, and BlueSelect.

NOTE: **Section B** is intended to give the Applicant an opportunity to describe the project and to discuss the need that the Applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

- I. **Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.**

Response:

Services

This project involves construction of a new 4-bed Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID") in Georgetown, Tennessee. This facility will be constructed for the purpose of transitioning four individuals from the Greene Valley Developmental Center ("GVDC"), a large, congregate institutional facility, into a smaller, group home located in the community. ICF/IID services are a Medicaid benefit for individuals with intellectual and developmental disabilities which provides individualized health care and rehabilitation services intended to increase functional status and independence.

The facility will be a one-story, fully accessible family home of approximately 2,800 square feet with four bedrooms, combination living/dining room, kitchen, laundry, office, and associated storage areas. The home will have two large, fully accessible bathrooms, one half bath, and a residential sprinkler system. Depending on the resident and his or her medical needs, residents will receive assistance meeting hygiene requirements, specialized dietary services, physical therapy, and assistance with activities of daily living, as well as physical, occupational, and behavioral therapies. The overall goal is to provide the combination of an environment and services that will enrich their quality of life and sense of community. The Tennessee Department of Intellectual and Developmental Disabilities (DIDD) strongly supports this application as more fully expressed in its letter of recommendation, a copy of which is attached to this application as Attachment B.1.

Need/Existing Resources

Pursuant to an Exit Plan and Approved Order adopted by a federal court in January 2015, the Greene Valley Developmental Center must close on June 30, 2016, unless the timing for the Exit Plan is extended pursuant to its provisions allowing certain extensions (not to exceed June 30, 2017). This Court Order brought an end to longstanding litigation against several institutions for the intellectually disabled in Tennessee.¹ As a result of the litigation, the state has closed two similar institutions and transitioned their residents to other facilities or living arrangements. Under the terms of the Exit Plan and DIDD's Transition Plan for GVDC, the institution's remaining residents had the opportunity to choose between private ICF/IID services and state-based Medicaid waiver programs.² Seventy-five (75) of the 85 individuals remaining at GVDC as of early September 2015, have opted to move to private ICF/IID facilities, with 8 having expressed a desire to remain in the Hamilton County area.³ The proposed facility, located in Hamilton County, is being developed to serve four of these individuals. Please see Attachment B.3 for the letter from DIDD indicating all individuals in Hamilton County for whom DIDD intends the Applicant to provide ICF/IID services following GVDC's closure. The individuals who will reside in the facility will continue to be funded through the ICF/IID program following GVDC's closure.

Ownership

Open Arms is a licensed and Medicaid-certified ICF/IID provider in Tennessee – one of the largest in the state – and has been providing care for approximately one third of the state's population requiring ICF/IID services since 1990. The Applicant operates more than 30 facilities across Tennessee, with locations in Shelby, Davidson/Williamson, Hamilton, and Knox Counties. The Applicant is a non-profit corporation with no ownership shares or membership interests.

Staffing

The Applicant employs 175 staff in Hamilton County for its current programs. From this group of qualified individuals and with its anticipated employment of some of GVDC's staff, the Applicant will be able to draw the 2.8 LPN nursing FTE and 11.23 FTE of direct support personnel needed to staff all three of the new facility's shifts.

Project Cost, Funding, and Feasibility

The facility's estimated cost of construction is \$647,500 or \$231.25 per square foot. Please see Section C, Economic Feasibility, for additional information about costs for land, site preparation, and other costs. The project financing will include a commercial loan to the landlord (please see Attachment C. Economic Feasibility – 2).

Because of the Applicant's extensive experience serving individuals with intellectual and developmental disabilities and its solid working relationship with DIDD, the Applicant

¹ *People First of Tennessee, et al. v. Clover Bottom Developmental Center, et al.*, No. 3:95-cv-1227, Slip Op., 2015 WL 404077 at *1 (M.D. Tenn. Jan. 29, 2015).

² Both available at <https://www.tn.gov/didd/topic/clover-bottom-exit-plan>. TennCare's Home and Community Based (HCBS) Waiver programs serve "adults with intellectual disabilities and children under age six with developmental delay who qualify for and, absent the provision of services provided under [the waiver program], would require placement in a private [ICF/IID]." See TennCare, Statewide Waiver Program, available <https://www.tn.gov/tenncare/article/statewide-waiver-program>.

³ November 4, 2015 memo from Terry Jordan-Henley of DIDD, which is attached as Attachment B.2.

believes that, in addition to being economically feasible, this project will greatly improve the lives of former GVDC residents.

B. II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within, the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete parts B.-E. Please also discuss and justify the cost per square foot for this project.**

If the project involves none of the above, describe the development of the proposal.

Response: The architect, Developer, and the Applicant's staff worked closely with a realtor to review several sites for suitability to construct the home and to evaluate utility and availability. The resulting location of the project is 1.5 acres in the southwest quadrant of a 15.5-acre parcel known as 7817 Gamble Road and will be a one-story, fully accessible family home with four bedrooms, living room, dining room, kitchen, laundry, and associated storage areas. The home will have two large, fully accessible bathrooms and one half bath. It will be constructed of brick and siding with asphalt shingles. There will be a residential sprinkler system. The home will be 2,800 square feet, and its estimated construction cost is \$231.25 per square foot, for a total approximated cost of \$647,500, which the Applicant believes is a reasonable cost for new construction of an ICF/IID facility in this area.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.**

Response: The four beds to be created through this project are ICF/IID (formerly known as ICF/MR) beds and are intended to specifically serve individuals transitioning out of GVDC as detailed above. This project will have no impact on existing services because it will directly replace four existing beds at GVDC that will no longer be in use following its closure.

C. As the Applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice

11. ICF/IID Services (ICF/MR)

12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response: This project involves the establishment of a small ICF/IID group home for four individuals transitioning from GVDC, pursuant to the Exit Plan. DIDD's Transition Plan for GVDC is evidence of the need for this project. Without the Applicant's project, individuals who have chosen to remain in the service area would not have the support they require to reside in their chosen county.

D. Describe the need to change location or replace an existing facility.

Response: Not applicable. This project involves the establishment of a new ICF/IID facility. The only facility being replaced is GVDC, which must close by June 30, 2016, pursuant to the Court Order unless an extension is granted pursuant to the Exit Plan as previously noted.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost; (As defined by Agency Rule).

2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
- b. Provide current and proposed schedules of operations.

Response: Not applicable.

2. For mobile major medical equipment:
- a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.

Response: Not applicable.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: Not applicable.

B. III. A. Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
 2. Location of structure on the site; and
 3. Location of the proposed construction.
 4. Names of streets, roads or highway that cross or border the site.
- Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response: Please see Attachment B.III.A. The residential area surrounding the parcel at Gamble Road is a neighborhood of single-family homes of comparable size to the 2,800 square foot home that is the subject of this application. The following is a tabulation of the square footages of the homes in the immediate vicinity.

Address	Area of Home (sq. ft.)
7817 Gamble Rd.	1,352
7713 Gamble Rd.	1,040
7697 Gamble Rd.	4,405
7685 Gamble Rd.	2,945
11130 Meadowview Rd.	1,637

11116 Meadowview Rd.	1,456
11108 Meadowview Rd.	1,936
11079 Hwy. 58	2,430
11110 Hwy. 58	2,880

B. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The facility will house individuals transitioning from GVDC and will not be generally open to the public. Access to individuals housed at the site will be supervised by the facility's staff. Families of these individuals will have access to the facility from Interstate 75, which runs south through Cleveland and Chattanooga and is a 19 minute drive from the facility. From Interstate 75, visitors turn onto Tennessee Route 60 and proceed north for 9.2 miles before turning left onto Tennessee Route 58 and continuing for 4.1 miles. After a left onto Gamble Road, the facility is located about 400 feet beyond the intersection of Gamble Road and Tennessee Route 58.

B. IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: DO NOT SUBMIT BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see Attachment B.IV.

B. V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

Response: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

Principle 1: The purpose of the State Health Plan is to improve the health of Tennesseans.

Response: The new home will support this principle by ensuring all residents receive high quality health care. Residents will have medical care on an as-needed basis as well as per physician recommendations. The individuals will have access to services for all their healthcare needs, including mental health. They will have both planned and spontaneous activities to enjoy in their new community and they will be given the opportunity to participate in vocational training or job coaching.

Principle 2: Every citizen should have reasonable access to health care.

Response: The Applicant will ensure that all residents continue to receive medical care as needed as well as in the manner and on the schedule prescribed by regulations and residents' physicians. Additionally, the transition from a large facility such as GVDC to the home proposed by the Applicant in this application will provide residents with higher quality and more personalized medical care, as staff and physicians will have more time to monitor residents' physical and mental well-being.

Principle 3: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.

Response: Providing support in an ICF/IID is cost effective at the Applicant's facility due to concise staffing, preventive healthcare, management oversight of resource utilization, and design of a home specifically dedicated to the GVDC population. Ongoing cost efficiency will result from preventive healthcare and preservation of residents' existing mobility through therapy. Additionally, through its 25 years of experience, the Applicant will be able to put its expertise to work and take advantage of economies of scale possible due to its locations throughout the state, both of which will enable the Applicant to spend less money than would be spent by a less experienced applicant.

Principle 4: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

Response: As a provider of ICF/IID services, the Applicant is regulated by both the state and the federal government. Further, as a decades-long ICF/IID services provider veteran,

the Applicant is well versed in satisfying these requirements and ensuring that its facilities meet regulatory and licensure expectations and standards. Tennesseans can be confident that services offered at one of the Applicant's facilities have the backing of this experience and regulatory oversight.

Principle 5: The state should support the development, recruitment and retention of a sufficient and quality health care workforce.

Response: The Applicant utilizes licensed and unlicensed personnel to provide cohesive care to the individuals supported. Additionally, the Applicant, with the addition of a new ICF/IID in the area, will ensure that these services remain available to the community and that individuals interested in providing the services continue to come to the community to work.

- a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

A. Need

1. The population-based estimate of the total need for ICF/MR facilities is .032 percent of the general population. This estimate is based on the estimate for all mental retardation of 1 percent. Of the 1 percent estimate, 3.2 percent of those are estimated to meet level 1 criteria and be appropriate for ICF/MR services.

Response: The 2015 population of Hamilton County, Tennessee is estimated to be 352,955 with 136 ICF/IID beds in the county as of 2014. Using the need-based estimate of .032%, the need in Hamilton County is approximately 113 beds.

This project, however, does not involve the development of new ICF/IID beds. Therefore, the population-based needs analysis in the Guidelines for Growth is inapplicable. Further, the analysis is inaccurate based on the occupancy rates of the ICF/IID beds in the area. These beds would not be operating at capacity if they were not in fact needed. With ICF/IID services scattered throughout the state as opposed to being available in every county throughout Tennessee, a population-based estimate such as the one above does always accurately depict need. Family members and loved ones have to put those in their care who need ICF/IID services wherever they are available, thus creating counties such as Hamilton County whose need calculations suggest a lower number than is appropriate based on actual consumer demand.

The beds which will be used by this project serve only to replace beds already in existence at GVDC and are being built in response to the need for services arising from the closure

of GVDC, which would otherwise eliminate these beds. Thus, no net increase in the number of ICF/IID beds is intended by this application.

2. The estimate for total need should be adjusted by the existent ICF/MR beds operating in the area as counted by the Department of Health, Department of Mental Health and Developmental Disabilities, and the Division of Mental Retardation Services in the Joint Annual Reports.

Response: The total estimated need minus the existing beds leaves a need of -23 beds. However, according to DIDD,⁴ eight ICF/IID beds are needed for GVDC residents who wish to transfer to the Hamilton County area. As previously noted, all existing ICF/IID beds in the Hamilton County area are full, and there is not sufficient existing capacity in the area to develop services for remaining GVDC residents by June 30, 2016, without development of new ICF/IID beds. The Applicant is sole provider coordinating with DIDD to develop eight new beds in Hamilton County. DIDD is counting on the Applicant to provide all eight of these beds, four of which are contemplated under the proposed project.

B. Service Area

1. The geographic service area should be reasonable and based on an optimal balance between population density and service proximity.

Response: Eight of GVDC's residents or their guardians desire that their loved ones live in the Hamilton County area. The facility contemplated in this application will be located in Hamilton County to serve their needs and in response to their request.

Given the anticipated acuity level of individuals at the facility, and the recent changes by CMS regarding Home and Community-Based Services (HCBS) as to whether such individuals receive services in their own home or in the community, transportation to a day center may not occur on a regular basis. If such day center services are needed Open Arms has an existing day center in Chattanooga which it currently utilizes for other facilities it operates in Chattanooga, and which has the capacity to accommodate individuals from this proposed facility as well.

Please find below a chart of distances from the proposed location to services within the area.

Service	Closest Location	Driving Distance	Driving Time
Nearest Incorporated City	Chattanooga, TN	26.4 miles (to city center)	42 minutes
Hospital	Parkridge East Hospital 941 Spring Creek Rd. Chattanooga, TN 37404	24.9 miles	38 minutes

⁴ Memorandum from Terry Jordan-Henley, Deputy Regional Director for the East Tennessee Regional Office of the Department of Intellectual and Developmental Disabilities, Re: ICF/IID Expansions and CON Development, November 4, 2015.

Physician Offices	Decatur County Family Practice 190 University Ave. Parsons, TN 38363	13.8 miles	19 minutes
EMS/Fire Station	Highway 58 Volunteer Fire Department 10914 TN-58 Georgetown, TN 37336	1.7 miles	3 minutes
Day Treatment (if applicable)	Open Arms Day Center 5731 Ooltewah-Ringgold Road Ooltewah, TN 37363	14.4 miles	22 minutes
Greene Valley Developmental Center 4850 E Andrew Johnson Hwy, Tusculum, TN 37745		164 Miles	2 Hours 38 Minutes

2. The relationship of the socio-demographics of the service area and the project population to receive services should be considered. The proposal's sensitivity and responsiveness to the special needs of the service area should be considered including accessibility to consumers, particularly women, racial and ethnic minorities, low-income groups, and those needed services involuntarily.

Response: The project population consists of the remaining residents of GVDC who wish to relocate to an ICF/IID within Hamilton County. The Applicant is aware of their special needs, including their age distribution, nutritional needs, mobility and visual impairments, and their psychiatric and behavioral needs. This facility is designed and located with their needs in mind and is dedicated to serving them. The Applicant serves all individuals regardless of racial, ethnic, or other demographic background. The proposed facility will be located in a residential setting to promote community inclusion.

C. Relationship to Existing Applicable Plans

1. The proposal's relationship to policy as formulated in the state, city, county, and/or regional plans and other documents should be a significant consideration.

Response: The Applicant is building this facility to serve the needs of the individuals affected by closure of GVDC and will assist the State in fulfilling its responsibility under the Court Order to offer GVDC's remaining residents a choice to transition to a private ICF/IID or to enroll in the state-based Medicaid waiver program.

2. The proposal's relationship to underserved geographic areas and underserved populations groups as identified in state, city, county, and/or regional plans and other documents should be a significant consideration.

Response: All of the remaining residents at GVDC will need to find other homes by June 30, 2016, unless extended to June 30, 2017 as previously noted, and 75 of these individuals have chosen to transition to an ICF/IID. DIDD has determined that the existing facilities will not be sufficient to absorb the 8 GVDC residents who wish to live in Hamilton County. This facility, along with others proposed by the Applicant and its peers, will ensure that these individuals have the services they need.

3. The impact of the proposal on similar services supported by state and federal appropriations should be assessed and considered.

Response: This project will shift existing ICF/IID beds from GVDC to a four-bed group home, as a part of the closing of GVDC. This will, in turn, shift federal and state funding from GVDC to the small group home described in this application.

4. The degree of projected financial participation in the Medicare and TennCare programs should be considered.

Response: ICF/IID services in Tennessee are funded by TennCare and the Applicant anticipates that TennCare funds will be responsible for 96% of the facility's revenue.

D. Relationship to Existing Similar Services in the Area

1. The area's trends in occupancy and utilization of similar services should be considered.

Response: The following ICF/IID beds operated in Hamilton County as of November 2015:

- Orange Grove Center (80 beds):
 - Two (2) eight-bed homes; and
 - Sixteen (16) four-bed homes
- Open Arms Care Corporation (64 beds):
 - Eight (8) eight-bed homes

Based on their average daily census, these beds are at full occupancy. At present, only eight beds (including the four contemplated in this application) are planned to meet DIDD's identified need for eight beds in Hamilton County. This indicates that the proposed beds, like the others in the service area, will operate at full capacity once established, as GVDC residents will proceed directly from that facility to the Applicant's proposed facility.

A chart of the occupancy of ICF/IID's in the county for the past three years follows.

ICF/IID Utilization, Hamilton County

	2012	2012	2012	2013	2013	2013	2014	2014	2014
Facility/Address	Lic. Beds	ADC	% Occup.	Lic. Beds	ADC	% Occup.	Lic. Beds	ADC	% Occup.
Orange Grove - A	8	4	44.6%	0	0	0.0%	0	0	0.0%

Orange Grove - B	12	8	65.4%	8	3	41.0%	0	0	0.0%
Orange Grove - C	4	4	96.4%	4	4	99.9%	4	4	100.0%
Orange Grove - D	4	4	100.0%	4	4	100.0%	4	4	100.0%
Orange Grove - E	4	4	100.0%	4	4	100.0%	4	4	100.0%
Orange Grove - F	4	4	100.0%	4	4	100.0%	4	4	100.0%
Orange Grove - G	4	4	100.0%	4	4	100.0%	4	4	100.0%
Orange Grove - H	4	4	100.0%	4	4	98.6%	4	4	99.5%
Orange Grove - I	4	4	100.0%	4	4	100.0%	4	4	98.9%
Orange Grove - J	4	4	98.8%	4	4	97.9%	4	4	99.7%
Orange Grove - K	4	4	99.9%	4	4	100.0%	4	4	100.0%
Orange Grove - L	4	4	100.0%	4	4	100.0%	4	4	100.0%
Orange Grove - M	8	8	99.8%	8	8	100.0%	8	8	98.8%
Orange Grove - N	8	8	100.0%	8	8	100.0%	8	8	98.9%
Orange Grove - O	4	4	100.0%	4	4	100.0%	4	4	93.5%
Orange Grove - P	4	4	100.0%	4	4	100.0%	4	4	100.0%
Orange Grove - Q	4	2	54.6%	4	4	100.0%	4	4	97.9%
Orange Grove - R	4	2	54.6%	4	4	100.0%	4	4	100.0%
Open Arms Care - A	8	8	100.0%	8	8	99.3%	8	8	100.0%
Open Arms Care - B	8	8	99.8%	8	8	99.8%	8	8	100.0%
Open Arms Care - C	8	8	98.0%	8	8	98.9%	8	8	100.0%
Open Arms Care - D	8	8	100.0%	8	8	100.0%	8	8	98.7%
Open Arms Care - E	8	8	100.0%	8	8	100.0%	8	8	100.0%
Open Arms Care - F	8	8	99.7%	8	8	100.0%	8	8	100.0%
Open Arms Care - G	8	8	100.0%	8	8	99.0%	8	8	99.2%
Open Arms Care - H	8	8	98.3%	8	8	100.0%	8	8	98.5%
TOTAL:	156	144	92.7%	144	139	93.6%	136	136	91.7%

Source: November 4, 2015 memo from Terry Jordan-Henley of DIDD, which is attached as Attachment B.2.

2. Accessibility to specific special needs groups should be an important factor.

Response: As an ICF/IID home, this facility will be accessible to individuals living with intellectual or developmental disabilities. Its bathroom and bedroom facilities and nursing station are specifically designed to assist medically fragile residents with severe intellectual or developmental disabilities.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response: Not applicable. GVDC is closing and the proposed facility will take on four of its current residents; there is no change of site.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: Since its first facility opened in 1990, the Applicant has grown to be the largest provider of private ICF/IID facilities in Tennessee, providing care for one third of the state's most medically fragile population in Shelby, Davidson/Williamson, Hamilton, and Knox counties. Drawing on 25 years of experience serving Tennesseans, the Applicant plans to

establish nine (9) 4-bed ICF/IID facilities in response to the closure of GVDC, including the ICF/IID proposed in this application. The Applicant, therefore, will seek Certificate of Need approval for two facilities in Hamilton County, three in Greene County, and four in Knox County.

3. Identify the proposed service area and justify the reasonableness of that proposed area.

Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).

Response: Please see Attachment Need.3. Though DIDD has identified the 8 individuals who have chosen to remain in the service area, the Applicant is still assessing the final housing assignments. Therefore, using information from all residents staying in the service area, the distance from the proposed facility to the residents' family members' and/or guardians' addresses range from 21 miles or a 30 minute drive to 196 miles or a three hour and 12 minute drive.

4. A. Describe the demographics of the population to be served by this proposal.

Response: The population to be served by this proposal consists of the 85 remaining residents of GVDC, the great majority of whom chose to transition to ICF/IID facilities pursuant to the Court Order closing the institution. The Applicant is aware of the individuals to be served by this proposed facility. DIDD has identified the four individuals to whom the Applicant has committed to provide residency in this facility and in eight other 4-bed ICF/IIDs that will be the subject of subsequent applications for Certificates of Need. See Attachment B.2 for the November 4, 2015 memo from DIDD to the Applicant; please note that the residents' names have been redacted to preserve confidentiality.

	Tennessee	Hamilton County
2015 Total Population	6,735,706	352,955
2019 Total Population	7,035,572	365,577
Total Population % Change	4.5%	3.6%
Age 65+ Population 2015	1,051,862	59,158
Age 65+ Population 2019	1,219,696	67,439
Age 65+, % Change	16.0%	14.0%

Age 65+, % Total Population 2015	17.3%	18.4%
TennCare Enrollees through 9/2015	1,461,025	67,049
TennCare Enrollees as % of Total Population, 2015	21.7%	19%
Median Age	38	39.3
Median Household Income	\$44,298	\$46,702
Population % Below Poverty Level	17.6%	16.6%

Sources: Tennessee Population Estimates 2015 and 2019; TennCare Enrollment Report for September 2015; U.S. Census Bureau Quickfacts

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.**

Response: The anticipated residents of the facility are all individuals with severe intellectual or developmental disabilities requiring institutional care. In particular:

- 54 are 23-60 years of age, while the remaining 31 are 61 and older;
- 37 require enteral feedings, and another 17 have structured dining plans;
- 65, 42 of which are non-ambulatory, have mobility impairments;
- Approximately 60% use a customized seating system and/or other alternative positioning equipment;
- 28 are legally blind; and
- 28 are prescribed psychotropic medications, and 13 have a Behavioral Support Plan or Behavioral Support Guidelines.

The Applicant's facility will be specially designed to meet residents' physical and medical needs, such as accessible entry doors, hallways, bathrooms, transportation, and ADA-compliant sink/vanity and toilets. Other services that will be provided include assistance meeting hygiene requirements, specialized dietary services, physical therapy, and activities of daily living, including physical, occupational, and behavioral therapies. The overall goal is to provide residents with an environment and services that will let them live dignified and meaningful lives in a community setting.

- 5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges,**

patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: As noted above, all existing ICF/IID beds are at full occupancy, and there are no approved-but-unimplemented ICF/IID beds for Hamilton County.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: The Applicant projects 100% occupancy of all four beds, or 1460 resident bed days, for the first two years of operation of this facility. This is based upon the fact that DIDD has identified the four (4) individuals to whom the Applicant has committed to provide ICF/IID beds in Hamilton County following Certificate of Need approval. Further, with GVDC's closure and the full occupancy of existing ICF/IID facilities, the proposed project will have to operate at 100% occupancy to accommodate the need created by GVDC's closure. It is also based upon the years of experience the Applicant has had operating ICF/IIDs in Tennessee and the current occupancy rate in the county.

C. ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page.

Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee.)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for

physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

Response: Please see Attachment C. Economic Feasibility – 1 for a copy of the letter from the architect supporting the estimated construction cost.

November 20, 2015**3:30 pm****PROJECT COST CHART****A. Construction and equipment acquired by purchase**

- | | |
|---|-----------------|
| 1. Architectural and Engineering Fees | _____ |
| 2. Legal, Administrative (Excluding CON Filing Fee),
Consultant Fees | _____ \$ 15,000 |
| 3. Acquisition of Site | _____ |
| 4. Preparation of Site | _____ |
| 5. Construction Costs | _____ |
| 6. Contingency Fund | _____ \$ 24,424 |
| 7. Fixed Equipment (Not included in Construction Contract) | _____ |
| 8. Moveable Equipment (List all equipment over \$50,000) | _____ |
| 9. Other _____ | _____ |

B. Acquisition by gift, donation, or lease

- | | |
|--|--------------------|
| 1. Facility (inclusive of building and land) * | _____ \$ 1,327,500 |
| 2. Building only | _____ |
| 3. Land only | _____ |
| 4. Equipment (Specify) <u>all FF&E is included</u>
<u>in the Facility Lease</u> | _____ |
| 5. Other (Specify) _____ | _____ |

C. Financing Costs and Fees

- | | |
|---------------------------------------|-------|
| 1. Interim Financing | _____ |
| 2. Underwriting Costs | _____ |
| 3. Reserve of One Year's Debt Service | _____ |
| 4. Other (Specify) _____ | _____ |

**D. Estimated Project Cost
(A+B+C+)**_____ **\$ 1,366,924****E. CON Filing Fee**_____ **\$ 3,076****F. Total Estimated Project Cost
(D+E)**_____ **\$ 1,370,000****TOTAL**_____ **\$1,370,000**

November 20, 2015**3:30 pm**

*The Lease has an anticipated term of 15 years at an anticipated rent of \$88,500 per year, for a total of \$1,327,500.

Estimated acquisition, development and construction costs (inclusive) for the leased facility are:

Acquisition of site	75,000
Architectural and engineering fees	32,000
Preparation of site	40,000
Construction costs	647,500
Landscaping and irrigation	25,000
Contingency fund	40,500
Furnishings and equipment	<u>25,000</u>
TOTAL	885,000

*The Lease has an anticipated term of 15 years at an anticipated rent of \$88,500 per year, for a total of \$1,327,500.

Estimated acquisition, development and construction costs (inclusive) for the leased facility are:

Acquisition of site	75,000
Architectural and engineering fees	32,000
Preparation of site	40,000
Construction costs	647,500
Landscaping and irrigation	25,000
Contingency fund	40,500
Furnishings and equipment	<u>25,000</u>
TOTAL	885,000

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding **MUST** be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- ☒ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**
- ☐ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**
- ☐ **C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.**
- ☐ **D. Grants--Notification of intent form for grant application or notice of grant award; or**
- ☐ **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**
- ☐ **F. Other--Identify and document funding from all other sources.**

Response: Please see Attachment C. Economic Feasibility – 2 for documentation of the project's funding by ServisFirst Bank.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar

projects recently approved by the Health Services and Development Agency.

Response: This project will be cost-effective as the Applicant is taking advantage of all of its expertise and resources. For example, assuming Certificate of Need approval, the Applicant will use the same layout for all ICF/IID homes it will build to accommodate GVDC residents.

All Open Arms facilities are currently leased from a subsidiary of Woodbine Community Organization, a Tennessee nonprofit corporation (which has no relationship with Open Arms, other than a contractual relationship from the current leases), and this facility will be leased in a similar structure. As the Landlord will be responsible for the development and construction of the facility, the Project Cost Chart only includes the anticipated lease expenses over the life of the lease, which is in excess of the development and construction costs.

The components of development and construction costs are as follows:

Acquisition of site	75,000
Architectural and engineering fees	32,000
Preparation of site	40,000
Construction costs	647,500
Landscaping and irrigation	25,000
Contingency fund	40,500
Furnishings and equipment	25,000
TOTAL	885,000

4. **Complete Historical and Projected Data Charts on the following two pages—do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

Response: There is no Historical Data on this facility since it is a new facility. Please see Attachment C. Economic Feasibility – 4 – Projected Data Chart.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: This project's Average Gross charge is \$687.95.

	Per Patient
--	-------------

November 20, 2015**3:30 pm**

Average Gross Charge	\$687.95
Average Deduction	\$0
Average Net Charge	\$687.95

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: The proposed charge schedule is \$687.95 per patient day for the first year of operations. The Applicant anticipates that almost all of its revenue will come from TennCare, with some of the revenue coming from residents' SSI benefits, as required by TennCare. The money from residents' SSI benefits will be used to cover some of the cost of services. The Applicant is not aware of any residents with food stamp benefits.

6. B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The economics of the operations of the new four-bed homes will be considerably different from the operations of the existing homes, so the Applicant does not believe such a comparison would be meaningful. The Applicant's proposed rate is \$687.95 per patient day.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: As the Projected Data Chart indicates, this project is intended to run on a break-even basis. Proposed project charges were developed with this goal in mind. The client anticipates that approximately 96% of the revenue will come from TennCare and 4% of the revenue will come from SSI benefits.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: As the Projected Data Chart indicates, this project is intended to run on a break-even basis. Proposed project charges were developed with this goal in mind.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare,

November 20, 2015**3:30 pm**

TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: All the participants in this project will be TennCare/Medicaid recipients. This project is intended to provide specialized services to TennCare/Medicaid recipients in need of ICF level care. The Applicant anticipates that 96% of its revenue will come from TennCare.

- 10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility-10.**

Response: Please see Attachment C. Economic Feasibility-10 for the Applicant's most recent balance sheet, income statement, and audited financial statement.

- 11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:**
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the Applicant should justify why not; including reasons as to why they were rejected.**

Response: Under the terms of the Exit Plan for GVDC, the institution's remaining residents had to choose between private ICF/IID services or state-based Medicaid waiver programs. ICF/IID services were by far the most frequently selected alternative, and the Applicant is providing the proposed ICF/IID beds specifically for those who made this choice. Since no other alternative will satisfy the Exit Plan with respect to these individuals, there is no practicable alternative available.

- b. The Applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.**

Response: There are no alternatives to this proposal that will satisfy the Exit Plan. The planned group homes cannot exceed four beds per home, and it would be prohibitively expensive to provide these services on a scale involving fewer beds per home.

Constructing a new home is in line with the Applicant's experience and current practices. Intermediate care facilities must meet regulatory requirements such as those concerning life safety features for ventilation, separation, and flammable materials, and programmatic design concerning client needs and staff engagement that are generally absent in typical residential homes, so converting an existing house into an ICF/IID would have required considerable renovation and construction. According to the Applicant's research and knowledge, most of the new bed ICF homes in the past five years have been new construction as opposed to renovation.

C. CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the Applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

Response: The Applicant anticipates having a transfer agreement in place with Memorial Hospital.

2. **Describe the positive and/or negative effects of the proposal on the health care system.**

Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: This project is essential to the success of the Transition Plan governing GVDC's closure because DIDD is counting on the ICF/IID beds provided in this proposal to fulfill its court-ordered duties to replace existing ICF/IID beds at GVDC. There is no duplication of service. There are no negative effects of this proposal.

3. **Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.**

Response: The staffing of the three shifts at this new facility is anticipated as follows: The resident to staff ratio will be approximately two (2) staff members to four (4) residents at night and three (3) or four (4) staff members to four (4) residents for the first two shifts. This staffing pattern meets and exceeds the minimum staff to resident ratio.

	Hamilton
Resident Manager	.5
Qualified MR Professional	.5

November 20, 2015**3:30 pm**

Physical Therapist	.125
Occupational Therapist	.125
Speech Therapist	.125
Housekeeping Maintenance and Grounds	.5
Nursing Staff, RN	.33
Nursing Staff, LPN	2.8
Direct Support Staff	11.23
Other Central Office Support Personnel	.11
Total	16.345

The 2014 data from the Tennessee Department of Labor & Workforce Development provides median salary data for the following clinical staff in Tennessee:

RN	\$56,370
LPN	\$36,000
Nursing Assistants	\$22,267
Resident Manager	N/A
Qualified MR Professional	N/A
Physical Therapist*	\$83,372
Occupational Therapist*	\$81,812
Speech Therapist*	\$64,102

* The Applicant will be hiring independent contractors to provide these services, so they are not included in the salary scale.

The Applicant proposes the following salary scale for clinical staff in Year 1:

RN	\$60,000
LPN	\$39,066
House Manager	\$34,990
Program Manager	\$43,514

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Response: The Applicant currently has approximately 175 staff in Hamilton County. The Applicant does not anticipate difficulty filling positions needed for the project and anticipates that many of the employees for the facility will come from GVDC.

5. **Verify that the Applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.**

Response: The Applicant has reviewed and understands the aforementioned requirements.

6. **Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).**

Response: Not applicable.

7. a. Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The Applicant has reviewed and understands the aforementioned requirements.

- b. Provide the name of the entity from which the Applicant has received or will receive licensure, certification, and/or accreditation.

Response: The Applicant will receive licensure, certification, and accreditation as listed below.

Licensure: The Tennessee Department of Health and the Tennessee Department of Intellectual and Developmental Disabilities.

Certification: TennCare.

Accreditation: Not applicable.

- c. If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable. This application is for a new facility.

- d. For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the Applicant or any entities or persons with more than a 5% ownership interest in the Applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: None.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response: None.

10. If the proposal is approved, please discuss whether the Applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: If approved, the Applicant will comply with all reporting requirements outlined under Tennessee regulations.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.
-

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c):
February 24, 2016.

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>PHASE</u>	<u>DAYS REQUIRED</u>	<u>ANTICIPATED DATE (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	None	January 2016
2. Construction documents approved by the Tennessee Department of Health	51	April 2016
3. Construction contract signed	None	January 2016
4. Building permit secured	21	March 2016
5. Site preparation completed	51	April 2016
6. Building construction commenced	58	April 2016
7. Construction 40% complete	138	July 2016
8. Construction 80% complete	218	September 2016
9. Construction 100% complete (approved for occupancy)	238	October 2016
10. *Issuance of license	252	November 2016
11. *Initiation of service	257	November 2016
12. Final Architectural Certification of Payment	281	December 2016
13. Final Project Report Form (HF0055)	286	December 2016

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

November 20, 2015**3:30 pm**

Certificate of Need Application CN1511-050
Open Arms Corporation d/b/a Hamilton #2 Gamble Road (Southwest)

List of Attachments, Supplemental Response #1

Supplemental Attachment – Replacement Pages

R-11

R-23

R-32

R-33

R-35

Supplemental Attachment – Revised Attachment A.4

Supplemental Attachment – Integra Resources, LLC Articles of Organization

Supplemental Attachment – Replacement Attachment A.5.1

Supplemental Attachment – Replacement Attachment A.5.2

Supplemental Attachment – Phase 2 Documentation: Deed and Purchase Agreement

Supplemental Attachment – Replacement Attachment A.6

Supplemental Attachment – Revised Floor Plan

Supplemental Attachment – Replacement Attachment B.III.A

Supplemental Attachment – Replacement Attachment C. Economic Feasibility – 1

Supplemental Attachment – Replacement Attachment C. Economic Feasibility – 2

Supplemental Attachment – Replacement Attachment C. Economic Feasibility – 3

Supplemental Attachment – Revised Service Area Map

Supplemental Attachment – Service Area ICF/IID Facilities

Supplemental Attachment – Revised Project Cost Chart

Supplemental Attachment – Revised Project Data Chart

Supplemental Attachment – Proof of Publication

Supplemental Attachment – Revised Attachment A.4

November 20, 2015**3:30 pm****OPEN ARMS CARE CORPORATION TENNESSEE FACILITIES**

Institutional Habilitation – MR Licensed Facilities						
Address	City	County	Zip	Licensed Beds	Medicaid Number	DIDD License Number
6850 Burkitt Road	Antioch	Davidson	37013	8	744-7059	L000000013139
6854 Burkitt Road	Antioch	Davidson	37013	8	744-7058	L000000013138
5821 Cane Ridge Road	Antioch	Davidson	37013	8	744-7063	L000000013140
5825 Cane Ridge Road	Antioch	Davidson	37013	8	744-7064	L000000013141
2411 Miller St	Nashville	Davidson	37211	8	744-7055	L000000013142
2415 Miller St	Nashville	Davidson	37211	8	744-7056	L000000013143
6120 Mt. Pisgah Road	Nashville	Davidson	37211	8	744-7057	L000000013137
13312 Old Hickory Blvd	Antioch	Davidson	37013	8	744-7065	L000000013136
10535 N. Hwy 58	Ooltewah	Hamilton	37363	8	744-7070	L000000013701
10539 N. Hwy 58	Ooltewah	Hamilton	37363	8	744-7071	L000000013702
11419 N. Hwy 58	Georgetown	Hamilton	37336	8	744-7062	L000000013703
11421 N. Hwy 58	Georgetown	Hamilton	37336	8	744-7060	L000000013704
7841 Sims Road	Harrison	Hamilton	37341	8	744-7069	L000000013705
7845 Sims Road	Harrison	Hamilton	37341	8	744-7068	L000000013706

November 20, 2015**3:30 pm**

Institutional Habilitation – MR Licensed Facilities						
Address	City	County	Zip	Licensed Beds	Medicaid Number	DIDD License Number
9253 Snow Hill Road	Ooltewah	Hamilton	37363	8	744-7066	L000000013707
9255 Snow Hill Road	Ooltewah	Hamilton	37363	8	744-7067	L000000013708
7812 Ball Camp Pike	Knoxville	Knox	37931	8	744-7052	L000000013746
7814 Ball Camp Pike	Knoxville	Knox	37931	8	744-7053	L000000013748
6010 Clayberry Dr	Knoxville	Knox	37931	8	744-7042	L000000013750
6011 Clayberry Dr	Knoxville	Knox	37931	8	744-7043	L000000013749
6505 Emory Road	Knoxville	Knox	37931	8	744-7050	L000000012989
6509 Emory Road	Knoxville	Knox	37931	8	744-7051	L000000012990
5407 Western Ave.	Knoxville	Knox	37921	8	744-7048	L000000013752
5411 Western Ave.	Knoxville	Knox	37921	8	744-7049	L000000013751
4695 Allendale Dr.	Memphis	Shelby	38128	8	744-7046	L000000013496
4707 Allendale Dr.	Memphis	Shelby	38128	8	744-7047	L000000013497
5350 Benjestown Road	Memphis	Shelby	38128	8	744-7037	L000000013495
5380 Benjestown Road	Memphis	Shelby	38128	8	744-7038	L000000013494

November 20, 2015**3:30 pm**

Institutional Habilitation – MR Licensed Facilities						
Address	City	County	Zip	Licensed Beds	Medicaid Number	DIDD License Number
1445 Greendale Ave.	Memphis	Shelby	38127	8	744-7039	L000000013498
1457 Greendale Ave.	Memphis	Shelby	38127	8	744-7040	L000000013499
4240 Raleigh-Millington Road	Memphis	Shelby	38128	8	744-7044	L000000013500
4254 Raleigh-Millington Road	Memphis	Shelby	38128	8	744-7045	L000000013501

Licensed Day Treatment Centers						
Address	City	County	Zip	Licensed Beds	Medicaid Number	DIDD License Number
6711 Mountain View Road	Ooltewah	Hamilton	37363	N/A	N/A	L000000012791
5731 Ooltewah-Ringgold Road	Ooltewah	Hamilton	37363	N/A	N/A	L000000012792
7810 Ball Camp Pike	Knoxville	Knox	37931	N/A	N/A	L000000013747
5120 Yale Road	Memphis	Shelby	38134	N/A	N/A	L000000013486
2020 Johnson Industrial Blvd.	Nolensville	Williamson	37135	N/A	N/A	L000000013144

Supplemental Attachment – Replacement Attachment A.5.2

INTEGRA PRINCIPALS

George Stevens

George Stevens is Integra's Chief Executive Officer, overseeing the management of the company. George has more than thirty years' experience in medical delivery system development and mergers and acquisitions of health care and related businesses.

Joseph Torrence

Joe Torrence assists with the financial structuring of matters for Integra's clients. Joe has more than forty years of experience in the affordable housing field, beginning with a role in the Tennessee Housing Development Agency, which he followed up with an investment banking role related to affordable housing. Joe also has significant experience owning and operating affordable housing.

Richard Brown

Dick Brown oversees development and strategic planning for Integra. Former general counsel to the Tennessee Department of Mental Health and Retardation (now known as DIDD), Dick also has extensive experience in capital facilities financing and is also a former investment banker. Dick founded Oak Hill Advisors, a Nashville-based financial advisory firm providing services for capital market transactions, public / private partnerships and strategic development initiatives for clients in the government, health care, housing and real estate sectors and non-profit organizations.

Jeff Mastroleo

Jeff Mastroleo oversees financial planning and structuring for Integra and its clients. Managing Director of Healthcare Banking at Hancock Bank, Jeff has a record of profitability and prudent growth. He has been successful in establishing deep internal/external relationships; developing and managing to appropriate financial metrics; and, passionately pursuing excellence. Expertise includes commercial healthcare, municipal finance, and treasury/cash management. Previously he served as Senior Vice President of Healthcare for Community Bank, and before that was Senior Vice President, Healthcare Banking Group, of First Tennessee Bank.

November 25, 2015

12:47 pm

Supplemental Attachment – Replacement Phase I-IV Chart

November 25, 2015
11:23 am

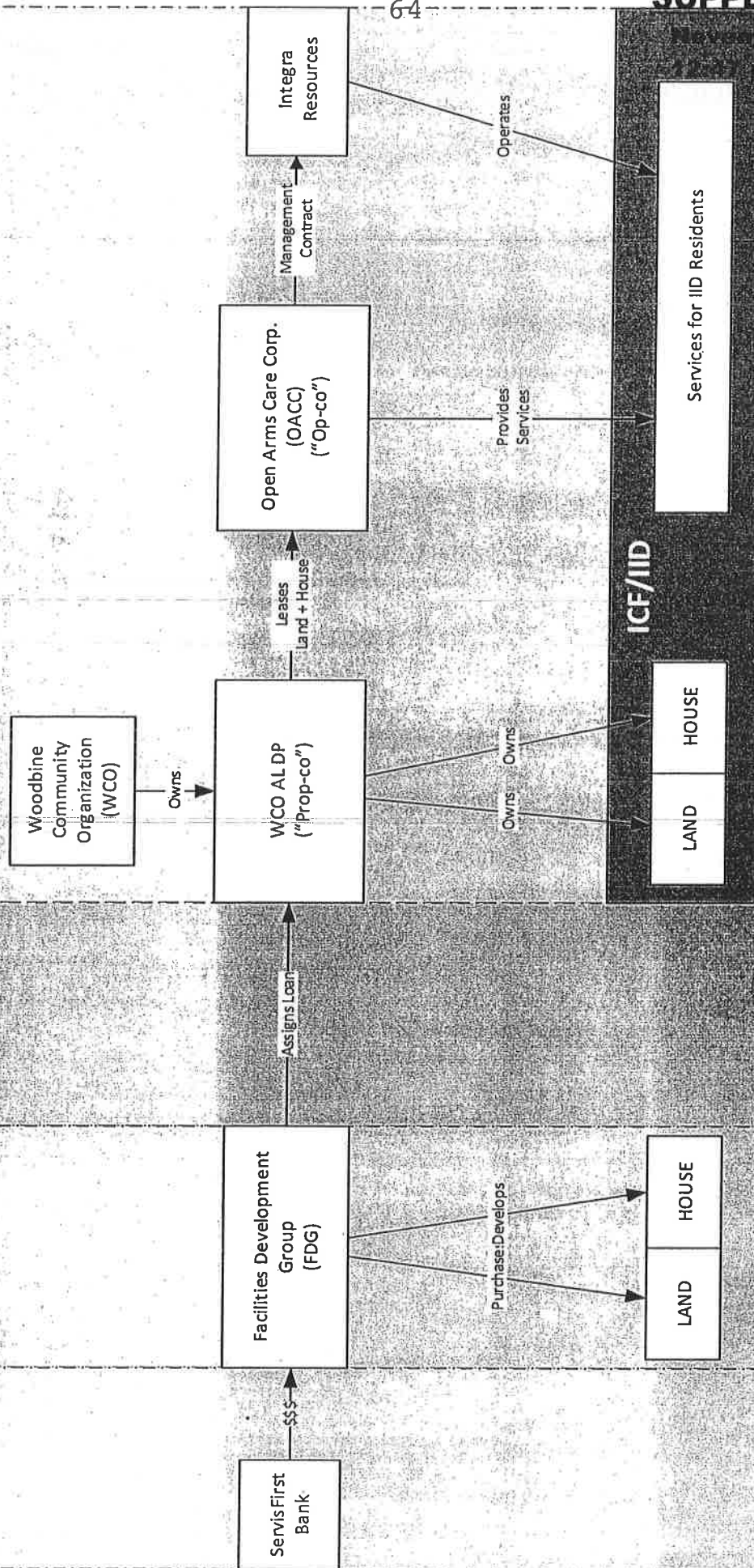
64

**PHASE IV:
FINAL OWNERSHIP OF ASSETS
AND OPERATIONS**

**PHASE III:
TURN KEY
TRANSACTION TO FINAL
OWNERSHIP**

**PHASE II:
DEVELOPMENT**

**PHASE I:
FUNDING**



Attachment B.1

DIDD Support Letter



STATE OF TENNESSEE
Department of Intellectual and Developmental Disabilities
Citizens Plaza, 10th Floor
400 Deaderick Street
NASHVILLE, TN 37243-0675

August 11, 2015

Melanie Hill
Executive Director
Health Services and Development Agency
500 Deaderick Street
Nashville, TN 37243

RE: Application for Certification of Need submitted by Open Arms Care

Dear Director Hill:

The Department of Intellectual and Developmental Disabilities (Department) strongly supports the application for a Certificate of Need (CON) on behalf of Open Arms Care. Based upon the Department's knowledge of Open Arms Care, it is the Department's belief that they meet the three (3) criteria necessary for approval which are namely, need, economic feasibility and contribution to the orderly development of health care.

The need for these facilities has resulted from the national trend away from caring for persons with intellectual disabilities in large, congregate institutional settings to more integrated, smaller homes in the community. In 2006, Tennessee, believing this to be best practice, passed legislation which created one hundred sixty (160) new ICF/IID beds to be used solely for persons transitioning from state developmental centers. At this time there remain eighty-four (84) of the one hundred sixty (160) beds available for development. The need for the development of these remaining eighty-four (84) beds comes as a direct result of the announced closure of the last large state owned developmental center, Greene Valley Developmental Center (GVDC), which is anticipated to close on June 30, 2016. The closure of GVDC is part of an Exit Plan in a nineteen (19) year old lawsuit against the state of Tennessee by the Department of Justice (*People First of Tennessee et. al. v. The Clover Bottom Developmental Center et. al.* No. 3:95-1227) regarding unconstitutional conditions at four (4) developmental centers in Tennessee. One of these developmental centers has already closed, another is set to close in the fall of 2015, the third is a small specialized developmental center for persons who are court ordered for competency evaluation and training, and GVDC. The last obligation in the Exit Plan, which once complete will result in a full dismissal of the law suit, is the closure of GVDC and the transition of all residents into smaller homes in the community. Therefore, the Department supports this application for a CON to facilitate the closure of and transition of the residents of GVDC.

Melanie Hill, Executive Director

RE: Application for Certification of Need submitted by Open Arms Care

August 11, 2015

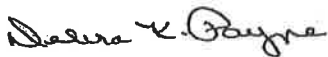
Page 2 of 2

Transitioning the residents from GVDC, a large institution, to four (4) person ICF/IIDs in the community is more economically feasible for the State, which pays for these services. The census at GVDC at the time of the announcement of closure was 101, but at its peak, GVDC supported 1100 residents. Operating a large developmental center is inefficient and does not produce economy of scale due to the large overhead associated with utilities and maintenance costs on older inefficient buildings that operate on a boiler system. The private operation of smaller four (4) person ICF/IIDs is much more efficient and economically feasible for the state.

For many of the same reasons stated above in relation to the criteria of "need", the approval of this CON and development of four person ICF/IID beds meets the criteria of contribution to the orderly development of health care. As a result of the Exit Plan in the nineteen (19) years old lawsuit described above, these homes and beds are needed to transition the remaining residences from GVDC and provide for the health and safety needs of these vulnerable persons. These beds will provide the same level of care that these persons are receiving at GVDC, namely the ICF/IID level of care. This application has been submitted by a current provider of services in Tennessee for persons with intellectual disabilities, therefore they have a proven track record of providing these services within both state and federal regulations which includes the availability and accessibility of human resources, prior contractual relationships with both the Department and TennCare and an understanding of the both the intellectual disability population and intellectual disability system in Tennessee.

Based on the above stated reasons the department strongly supports Open Arms Care, application for a CON to build four (4) person ICF/IIDs in East Tennessee in order to effectuate the safe transition of residents of GVDC and comply with the Exit Plan leading to the conclusion of the nineteen (19) years old *CBDC et. al* lawsuit. If you need any further information or have any questions please contact me.

Sincerely,



Debra K. Payne
Commissioner

DKP:ts

Attachment B.2

November 4, 2015 DIDD Memo



November 4, 2015

RE ICF/IID Expansions and CON Development:

The following information may be requested regarding development of your ICF/IID expansion homes in the East Tennessee region. Information is provided generally for all persons supported at Greene Valley Developmental Center and is broken down by the three primary development areas: Hamilton County, Knox County, Roane County and Greene County where appropriate.

How many persons/families/legal representatives chose ICF/IID services over HCBS Waiver services through the Freedom of Choice process? As of 8/21/15, a total of 10 legal representatives for persons supported by GVDC had selected HCBS services; the legal representatives for the remaining 75 persons had selected ICF/IID services.

What geographic areas were selected by the persons supported for ICF/IID services? Of the 75 persons whose legal representatives selected ICF/IID services, the breakdown is as follows:

Hamilton County: 8

Knox County: 16

Roane County: 6

Greene County: 45

Are all existing ICF/IID beds in the geographic areas currently full? Please reference a separate grid showing ICF/IID utilization for the appropriate geographic area for 2012, 2013 and 2014. Generally, the answer to that question is yes for all geographic areas.

What providers currently operate ICF/IID services in the geographic areas? Per area, those providers are:

Hamilton County: Open Arms Care, Orange Grove Center.

Knox County: Open Arms Care.

Roane County: Michael Dunn Center.

Greene County: Comcare, DIDD East Tennessee Homes.

A separate grid shows ICF/IID utilization for the appropriate geographic areas for 2012, 2013 and 2014. Specific site information is redacted.

What other ICF/IID sites are planned to come on line to accommodate GVDC residents? For each geographic area, planned ICF/IID development is as follows:

Hamilton County: 2 sites (8 beds)

Knox County: 4 sites (16 beds)

Roane County: 2 sites (8 beds)

Greene County: 8 sites (32 beds)

What are the general demographics and/or special needs of persons exiting GVDC? Demographic



Tennessee
Intellectual &
Developmental Disabilities

East Tennessee
Regional Office

information is not available specific to geographic areas. However, the demographic information generally applies to all geographic areas in which services have been selected. Those demographics are as follows for the 85 persons supported at GVDC on 8/21/15:

Age: 54 persons aged 23-60 years (64%); 31 persons aged 61+ years (36%).

Gender: 48 female (56%); 37 male (44%).

Nutritional Status: 37 require enteral feedings (44%); 17 others have structured dining plans (20%).

Mobility Status: 65 have mobility impairments (76%); 42 of those persons are non-ambulatory (49%). 56 persons use a customized seating system (66%). 51 persons use other alternative positioning equipment (60%).

Visual Status: 28 persons are legally blind (33%).

Psychiatric/Behavioral Status: 28 persons are prescribed psychotropic medication (33%); 13 persons have a Behavior Support Plan or Behavior Support Guidelines (15%).

Please let me know if you require any additional information for the development of your Certificate of Need.

Respectfully,

Terry Jordan-Henley
Deputy Regional Director, East

c: John Craven, East Regional Director
ICF/IID Expansion Development File per Provider

Attachment B.3

Letter from DIDD Regarding Anticipated Residents



**Department of
Intellectual &
Developmental Disabilities**

September 1, 2015

Lisa King, Director
Open Arms Care - Ooltewah
7417 Kingston Pike, Suite 300
Knoxville, TN 37917

Dear Ms. King:

The following provides a list of people currently supported at GVDC whose conservators selected Open Arms Care - Ooltewah to provide ICF/IID supports and whom you indicated a willingness to support. The home compositions were determined based on valuable input from GVDC staff considering friendships, current service and support needs. Please review the lists and confirm in writing your intent to develop ICF/IID supports and services for these specific people by the close of business

September 4, 2015.

Home #1:

Home #2



It is important to confirm and solidify your plans for the development of homes for individuals currently residing at GVDC and final home compositions as soon as possible. Once confirmed, our intent is not to change the composition of housing arrangements unless absolutely necessary and any change must be communicated to my office immediately for approval. Please provide the status of your CON process and the addresses where the four-person ICF/IID homes will be developed. I believe people and their families will appreciate knowing where they will live and with whom.

If your agency agreed to provide supports to any person not on the above list, please contact John Craven, Regional Director at 865-594-9301 or Terry-Jordan-Henley, Deputy Regional Director at 865-594-9302. DIDD appreciates your commitment and efforts on behalf of people supported by GVDC.

Respectfully,

John Craven

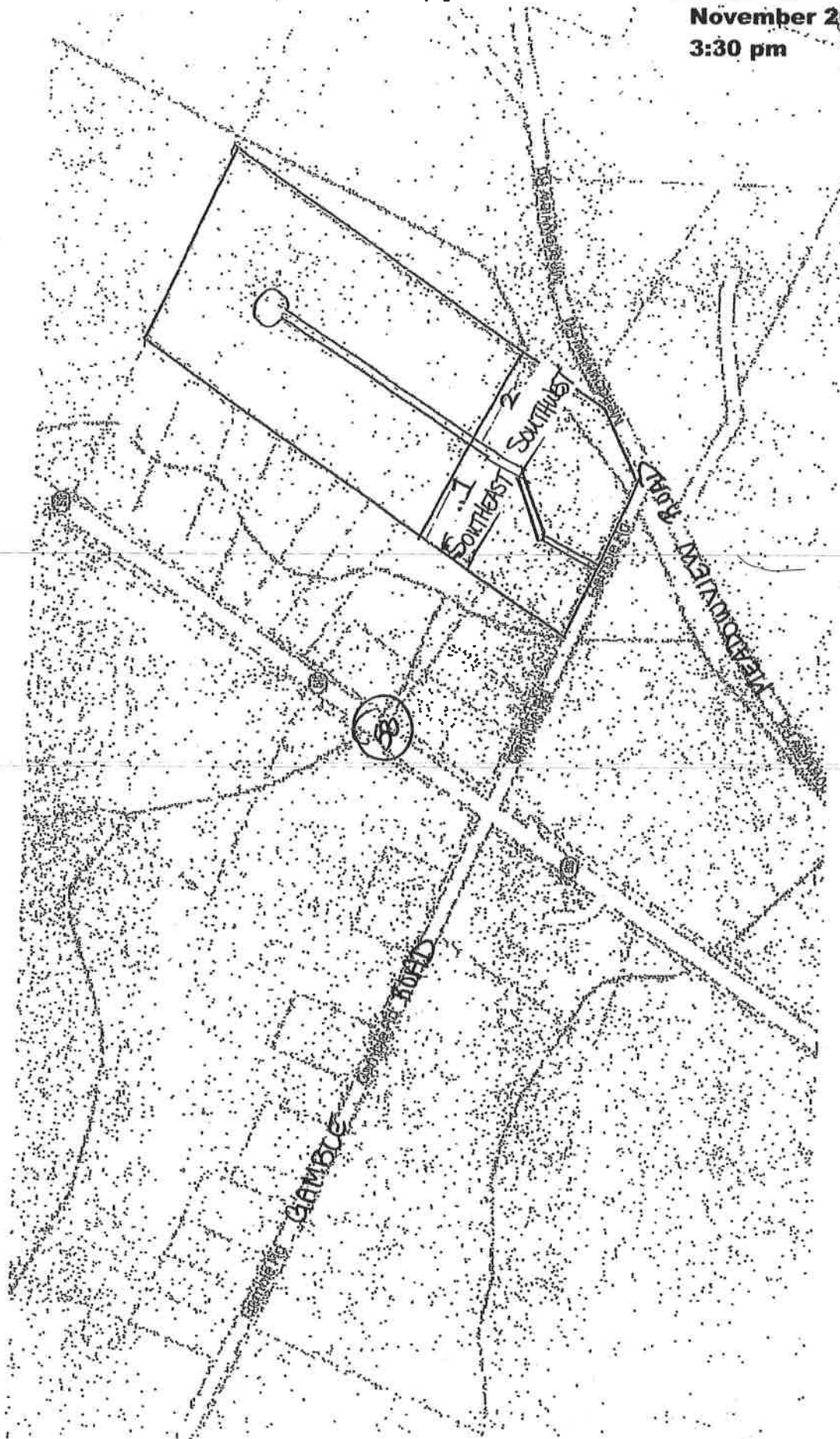
Regional Director, East

C: Debbie Payne, DIDD Commissioner
Jordan Allen, DIDD Deputy Commissioner
Theresa Sloan, DIDD Legal Counsel
Jon Lakey, Attorney, Pietrangelo Cook, PLC
Richard Brown, Esquire

November 20, 2015**3:30 pm****Supplemental Attachment – Replacement Attachment B.III.A**

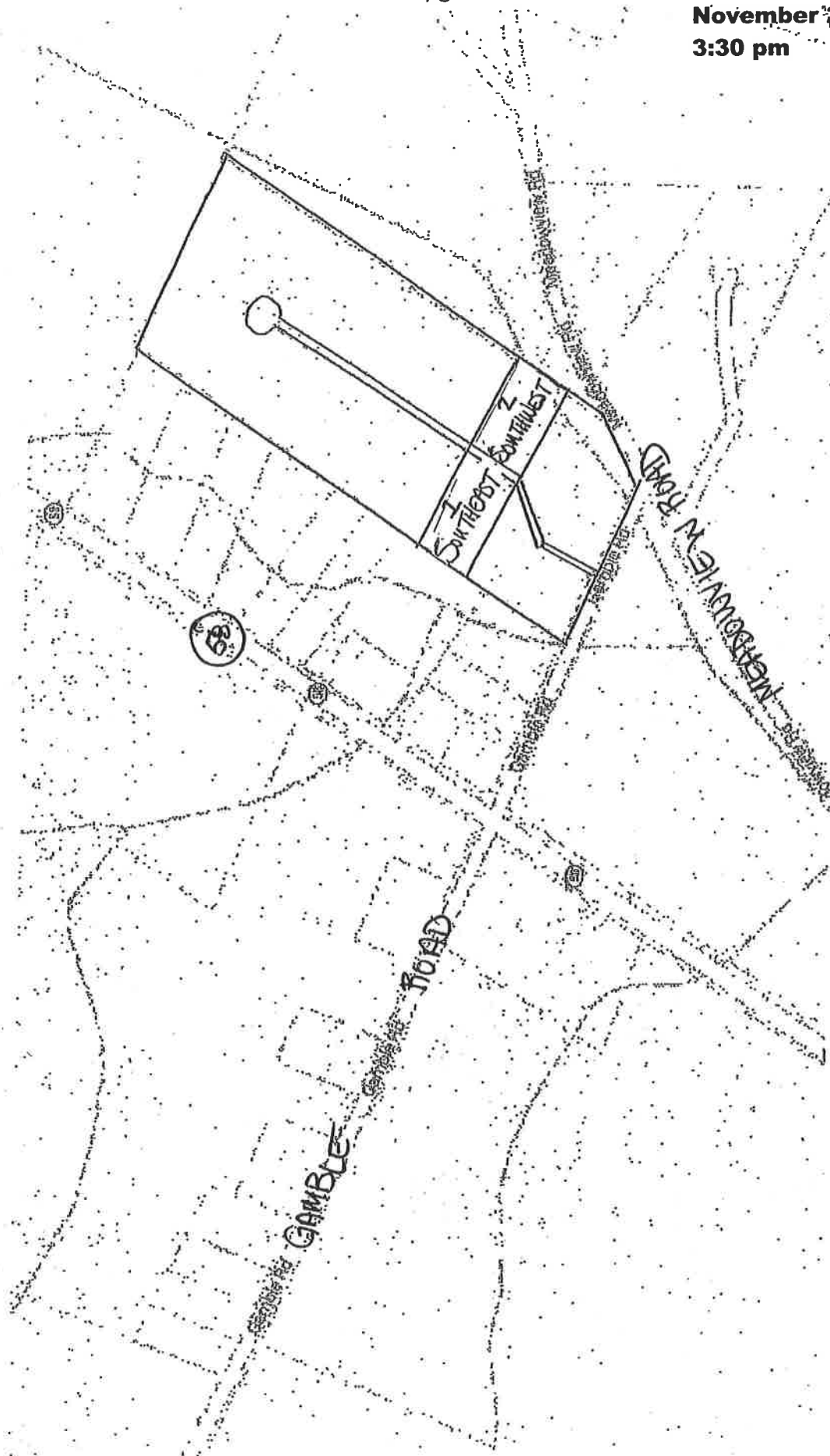
November 20, 2015

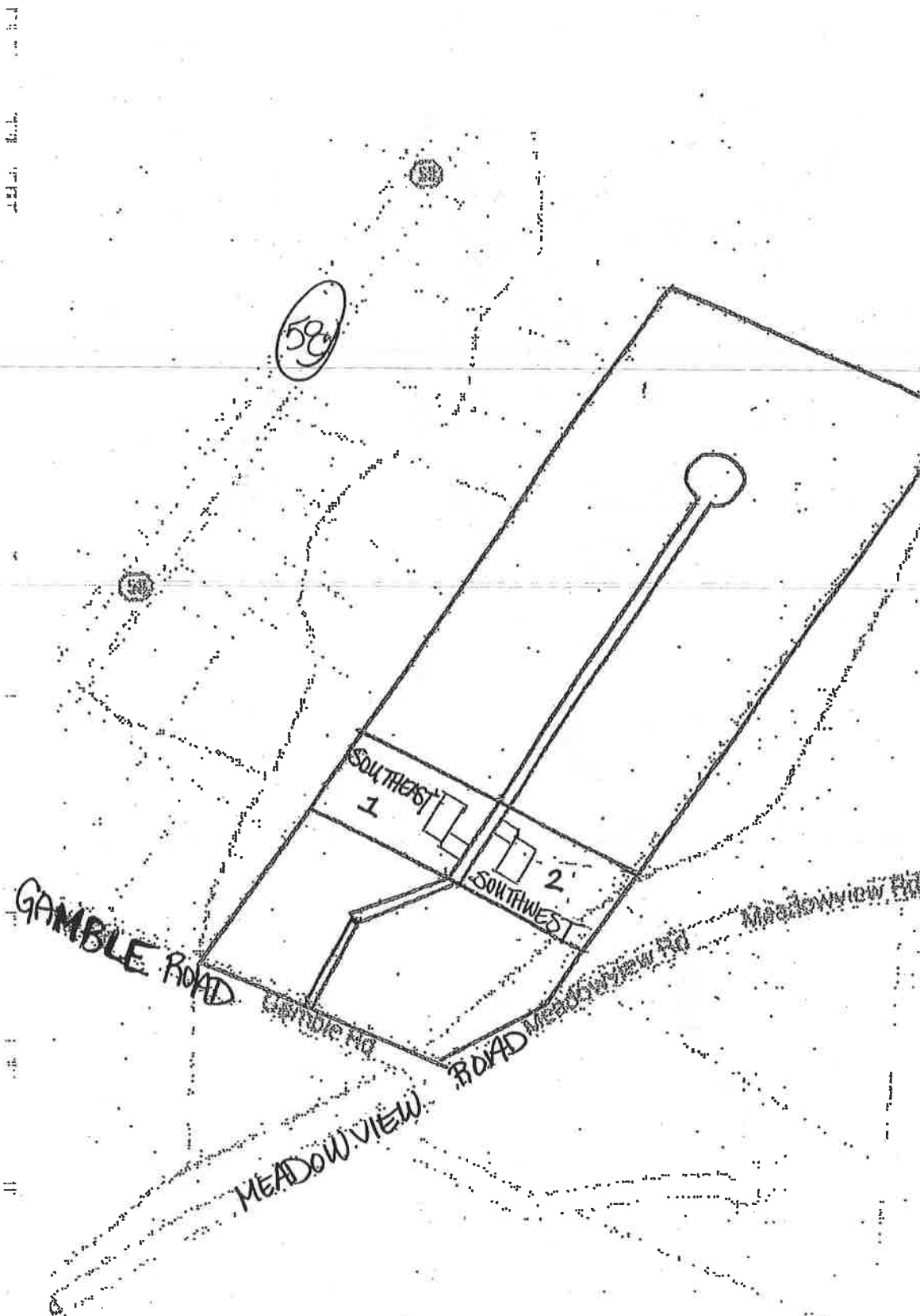
3:30 pm



November 20, 2015

3:30 pm



November 20, 2015**3:30 pm**

Supplemental Attachment – Revised Floor Plan



SG Design, Inc.
211 Union
Memphis, TN 37201
901.526.4496

Open Arms 4 bed
House
Enter Address
Under Manager
Project Information

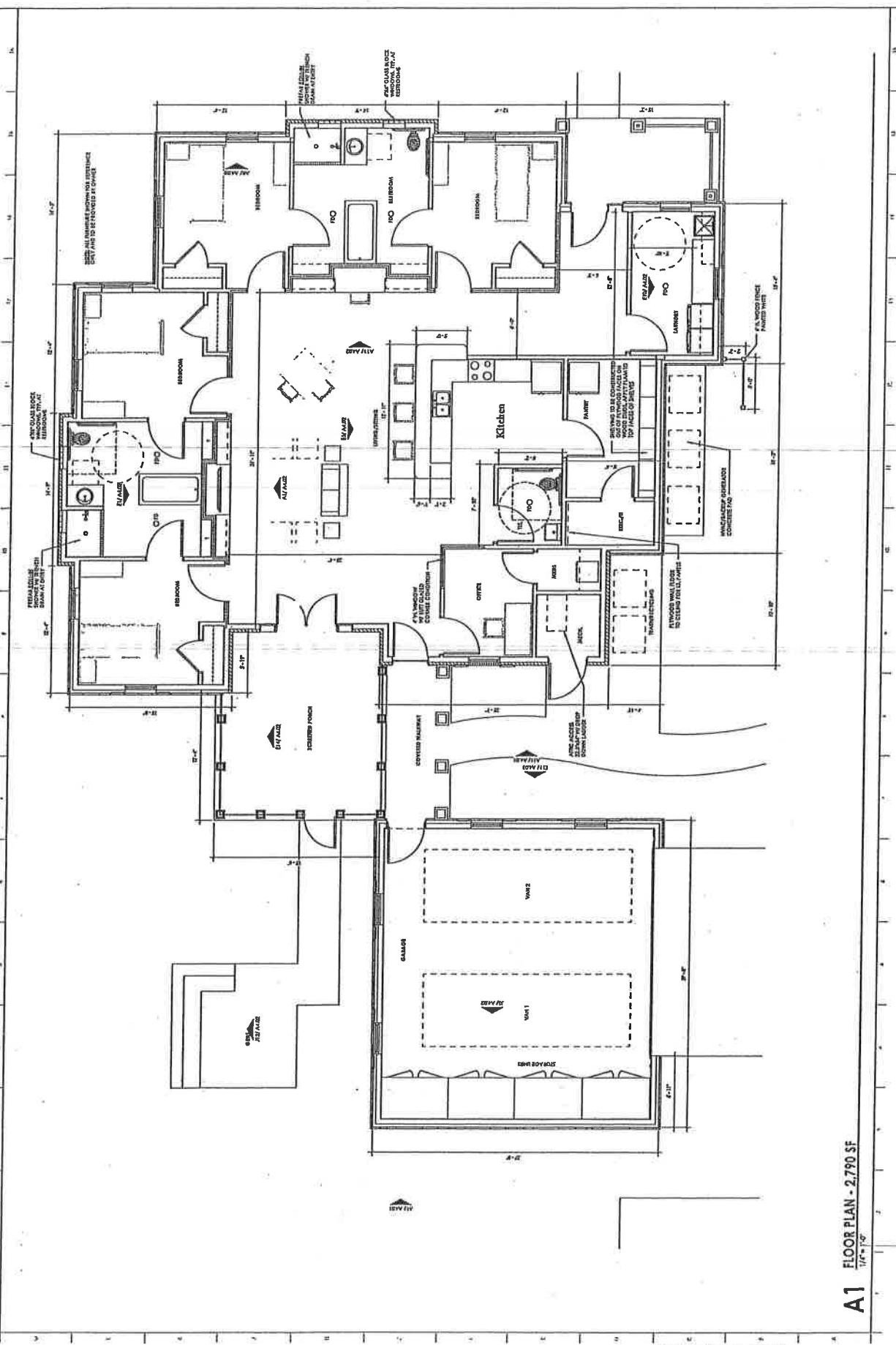
These drawings were prepared by
SG Design, Inc. for the use of the
owner. It is the responsibility of the
owner to provide all necessary
information for the architect to
prepare the drawings. The architect
does not warrant the accuracy of
the information provided by the owner.



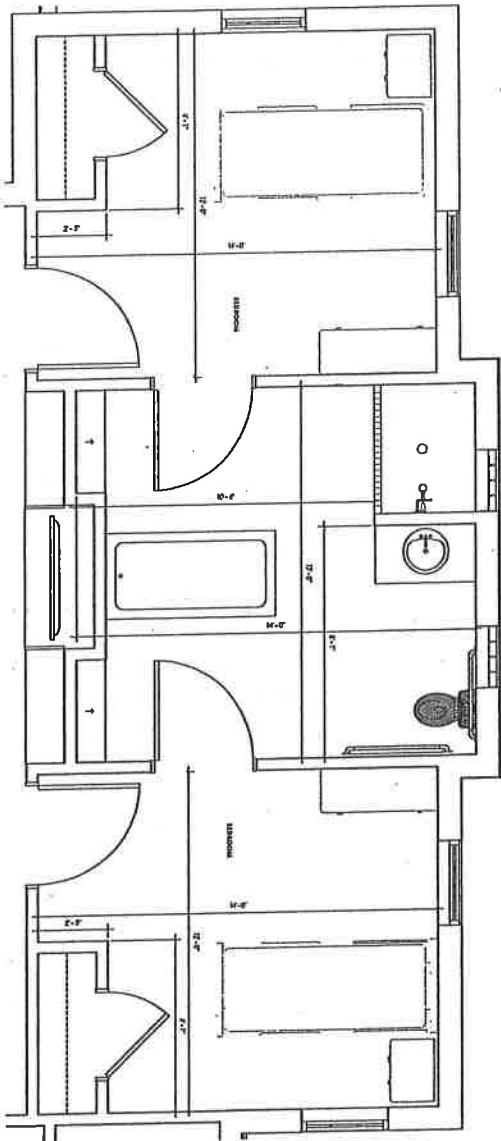
SUPPLEMENTAL #1

November 20, 2015
3:30 pm

Project Name: 211 Union
Project Number: 211 Union
Project Location: 211 Union
Project Date: 11/20/15
Project Status: 4 BED FLOOR PLAN
Project Manager: A2.01



A1 FLOOR PLAN - 2,790 SF
1/8" = 1'-0"

$\frac{1}{2}T = 1.5$ 

1. **IDEAL LOCATION**
A. THE VA CONNECTION: WOOD ALLOWS UNAFFECTED
C. NEARBY SPOON FOR REFERENCE ONLY
E. PROVE IT ALL! RECENTLY FREE FROM QUARTERS, FOR LIGHT, BUT ALMA PRICES, INC. AS REWARD, CONTINUOUSLY WITH AIRCRAFT ROAD TO
DEVALUATION.

[illegible][illegible]

A. GLASSING
A 350' W/2' 40" N DOUBLED GLAZED LOW E GLASS VENT WINDOWS W/ GLEZE SHUTTERS, 10.0 L.
A 100' W/2' 30" N GLASS VENT WINDOWS W/ 10.0 L. SHUTTERS
C. 100' W/2' 30" N DOUBLED GLAZED LOW E GLASS VENT WINDOWS W/ GLEZE W/ 10.0 L. SHUTTERS, 10.0 L. SHUTTERS FOR 10.0 L. SHUTTERS

[illegible]

A. REMOVED POWER ROADS AND W. & C. DIRT AT ALL ON EXISTING
C. REMOVED DIRT CONCRETE FLOODING AT MACHINERY AND BUILT CLOUDS
D. REMOVED POWER CONCRETE ROAD AT DABAD
E. REMOVED BLOOD-RED CONCRETE AT ALL SOUTHWEST AND GULF AREA

[illegible]

11. **INSTRUMENTAL & NON-VOLUNTARY**
 a. **RECEIVED CALL LETTERS IN RESPONSE TO 14 DAY PROTEST**
 b. **PROVIDE VARIOUS MEDIA TIPS AS SHOWN ON CHART, COLOR COPY**
 c. **PROVIDE (1) VARIETY LIGHT OVER EACH BUNK IN ALL BUNKER ROOMS, ALLOWING SPOOKS**
 d. **ALLOW FOR VARIOUS SPOOKS, ALLOWANCE SPOOKS, 50% ALLOWANCE FOR LOCALITY**

F. ALDREYER ET AL. QUANTITATIVE ANALYSIS OF
C. BENTONITE IN LAMPSAC AND TO BE SOLAR POWDERED
IL ALUMINUM ON 3 TO 44 CM UNIT TO COMPOSITION AND REACTION
F. ALDREYER ET AL. QUANTITATIVE ANALYSIS OF
C. BENTONITE IN LAMPSAC AND TO BE SOLAR POWDERED
IL ALUMINUM ON 3 TO 44 CM UNIT TO COMPOSITION AND REACTION

[illegible]

11. AEROSOLIZED
 12. ADDITIONAL
 13. ADDITIONAL
 14. ADDITIONAL
 15. ADDITIONAL
 16. ADDITIONAL
 17. ADDITIONAL
 18. ADDITIONAL
 19. ADDITIONAL
 20. ADDITIONAL
 21. ADDITIONAL
 22. ADDITIONAL
 23. ADDITIONAL
 24. ADDITIONAL
 25. ADDITIONAL
 26. ADDITIONAL
 27. ADDITIONAL
 28. ADDITIONAL
 29. ADDITIONAL
 30. ADDITIONAL
 31. ADDITIONAL
 32. ADDITIONAL
 33. ADDITIONAL
 34. ADDITIONAL
 35. ADDITIONAL
 36. ADDITIONAL
 37. ADDITIONAL
 38. ADDITIONAL
 39. ADDITIONAL
 40. ADDITIONAL
 41. ADDITIONAL
 42. ADDITIONAL
 43. ADDITIONAL
 44. ADDITIONAL
 45. ADDITIONAL
 46. ADDITIONAL
 47. ADDITIONAL
 48. ADDITIONAL
 49. ADDITIONAL
 50. ADDITIONAL
 51. ADDITIONAL
 52. ADDITIONAL
 53. ADDITIONAL
 54. ADDITIONAL
 55. ADDITIONAL
 56. ADDITIONAL
 57. ADDITIONAL
 58. ADDITIONAL
 59. ADDITIONAL
 60. ADDITIONAL
 61. ADDITIONAL
 62. ADDITIONAL
 63. ADDITIONAL
 64. ADDITIONAL
 65. ADDITIONAL
 66. ADDITIONAL
 67. ADDITIONAL
 68. ADDITIONAL
 69. ADDITIONAL
 70. ADDITIONAL
 71. ADDITIONAL
 72. ADDITIONAL
 73. ADDITIONAL
 74. ADDITIONAL
 75. ADDITIONAL
 76. ADDITIONAL
 77. ADDITIONAL
 78. ADDITIONAL
 79. ADDITIONAL
 80. ADDITIONAL
 81. ADDITIONAL
 82. ADDITIONAL
 83. ADDITIONAL
 84. ADDITIONAL
 85. ADDITIONAL
 86. ADDITIONAL
 87. ADDITIONAL
 88. ADDITIONAL
 89. ADDITIONAL
 90. ADDITIONAL
 91. ADDITIONAL
 92. ADDITIONAL
 93. ADDITIONAL
 94. ADDITIONAL
 95. ADDITIONAL
 96. ADDITIONAL
 97. ADDITIONAL
 98. ADDITIONAL
 99. ADDITIONAL
 100. ADDITIONAL

[illegible]

Steve / 603.887.4279
c/o Paul Pitt Services, Inc. 444 Market Street
STG Design, Inc.
211 Union
Kearville, TN 37201
615.248.4400

bioRxiv preprint doi: <https://doi.org/10.1101/000000>; this version posted January 1, 2016. The copyright holder for this preprint (which was not certified by peer review) is the author/funder, who has granted bioRxiv a license to display the preprint in perpetuity. It is made available under aCC-BY-NC-ND 4.0 International license.

A2.1.1

November 20, 2015

3:30 pm

Supplemental Attachment – Revised Service Area Map

Supplemental Attachment – Service Area ICF/IID Facilities

November 20, 2015**3:30 pm**

**Distances Between Hamilton #2 Gable Road (Southwest)
and Other Hamilton County ICF/IID Facilities**

Distance in Miles From Proposed Location -7817 Gamble Road		
Facility Name	ICF/IID Facility Address	Miles
11419 Highway 58	11419 North Highway 58, Georgetown, TN 37336	0.6
11421 Highway 58	11421 North Highway 58, Georgetown, TN 37336	1.1
10539 Highway 58	10539 North Highway 58, Ooltewah, TN 37363	1.6
10535 Highway 58	10535 North Highway 58, Ooltewah, TN 37363	1.7
7841 Sims	7841 Sims Road, Harrison, TN 37341	5.2
9253 Snow Hill	9253 Snow Hill Road, Ooltewah, TN 37363	6.1
9255 Snow Hill	9255 Snow Hill Road, Ooltewah, TN 37363	6.1
Brookhaven Group Home	2317 Brookhaven Circle, Chattanooga, TN 37421	19.5
7445 Pinewood Drive	7445 Pinewood Drive, Chattanooga, TN 37421	19.7
7447 Pinewood Drive	7447 Pinewood Drive, Chattanooga, TN 37421	19.7
Vance Group Home	1305 Vance Road, Chattanooga, TN 37421	21.4
Highland Group Home	1337 Highland Road, Chattanooga, TN 37415	22.8
Comet Group Home	4403 Comet Trail, Hixson, TN 37343	23.3
Dowlen Group Home	87 Dowlen Road, Chattanooga, TN 37343	24.5
Pine Marr Group Home	117 Pine Marr Drive, Chattanooga, TN 37343	24.6
Shelby Group Home	1524 Shelby Circle, Chattanooga, TN 37343	24.8
Crestwood Group Home	1836 Crestwood Drive, Chattanooga, TN 37415	25.3
Hixson Pike Group Home	2015 Hixson Pike, Chattanooga, TN 37415	25.3
Moutain Creek Road	5345 Moutain Creek Road, Chattanooga, TN 37415	29.3
Brown Chapel Lane	5407 Brown Chapel Lane, Chattanooga, TN 37421	29.4
3426 Chandler Avenue	3426 Chandler Avenue, Chattanooga, TN 37410	32.2
3454 Chandler Avenue	3454 Chandler Avenue, Chattanooga, TN 37410	32.2
Carl Swafford Group Home A	4016 Carl Swafford Drive, Chattanooga, TN 37419	33.6
Carl Swafford Group Home B	4020 Carl Swafford Drive, Chattanooga, TN 37419	33.6

Supplemental Attachment – Replacement Attachment C. Economic Feasibility - 1

November 20, 2015**3:30 pm**

November 17, 2015

Freddie Vanderveer
Open Arms Care Corporation
6 Cadillac Drive, Suite 350
Brentwood, TN 37027

Re: New Homes

Dear Freddie:

It is my pleasure to submit this letter outlining the new 4- bed homes to be constructed in the State of Tennessee. The homes will be new construction 2,800 square foot, 4-bed ICF/IIID facilities. We have worked diligently to accommodate the needs of the future residents, and have taken into account their special requirements in designing the homes

My initial estimate is that construction of each home will cost in the range of \$595,000 - \$750,000, which includes an allowance of \$25,000 for landscaping and irrigation. This estimate represents what it will cost to construct the project, and to provide a physical environment, according to the applicable federal, state, and local construction codes, standards, specifications, and requirements. The physical environment will conform to applicable federal standards, manufacturer's specifications, Americans with Disabilities Act (ADA), and licensing agencies' requirements including the newest AIA Guidelines for Design and Construction of Hospital and Health Care Facilities. Civil design will be incorporated on a per site basis as the lots become available. The commercial grade materials on the interior and exterior are subject to change on a per lot basis.

Sincerely,



Dave Johnston AIA
Principal



AUSTIN
HOUSTON
NASHVILLE

211 Union
Nashville Tennessee 37201
615 248 4400 V
615 248 4401 F

www.sigdesign.com

November 20, 2015**3:30 pm****Supplemental Attachment – Replacement Attachment C. Economic Feasibility – 2**

November 20, 2015**3:30 pm**

SERVISFIRST BANK
The Tower
611 Commerce Street
Suite 3131
Nashville, Tennessee 37203
servisfirstbank.com

November 20, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health and Development Services Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242



RE: Financing Letter of Interest for construction and permanent financing of 9 new residential homes for Open Arms Care Corporation.

Dear Ms. Hill:

I am writing in regards to my recent discussions with the senior management team of Facilities Development Group and Open Arms Care Corporation concerning construction and permanent financing for up to \$8,000,000; for 9 residential homes associated with a Certificate of Need Application for the transition of residents from Greene Valley Development Center.

On behalf of ServisFirst Bank (the "Bank"), I am pleased to advise you of the Bank's intent to extend to Facilities Development Group, LLC (the "Borrower") an up to \$8,000,000 Term Loan Credit Facility (the "Credit Facility"). The Credit Facility is expected to mature 7 years from closing and will be utilized for the construction and permanent financing of up to 9 residential homes for lease to Open Arms Care Corporation. Open Arms Care Corporation would use the homes to establish and operate up to 9 ICF / IDD facilities for patients transitioning from Greene Valley Development Center. The Credit Facility would be subject to an aggregate loan to value customary for this financing type. Based on current market conditions and the anticipated loan to value ratio, the interest rate on the Credit Facility is anticipated to be between 7.75% and 8.25%. The Credit Facility would include security documentation typical for a transaction of this type, including deeds of trust, and assignments of leases. It would also be subject to provisions substantially similar to the Credit Facilities currently in place for Facilities Development Group and its loan for facilities operated by Open Arms Care Corporation, as well as conditions precedent, terms, loan covenants, and performance ratios that are standard for a transaction of this type (for example, a ratio of cash flow to fixed charges of not less than 1.15 to 1.00 is required in the current Credit Facility documents).

November 20, 2015**3:30 pm**

ServisFirst Bank very much looks forward to working with Facilities Development Group and Open Arms Care Corporation on this important project. Please feel free to contact me if you have any questions or need additional information from the Bank.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Berrell', with a stylized, flowing script.

Bill Berrell
Senior Vice President
Director, Healthcare Banking

November 20, 2015**3:30 pm****Supplemental Attachment – Replacement Attachment C. Economic Feasibility – 3**

November 20, 2015**3:30 pm**

**Hamilton #2 Gamble Road (Southwest) Facility and
Other Recently Approved ICF/IIDs
Cost Per Square Foot of Construction**

Facility	Address	Year	Project No.	Cost per Sq.Ft.
Applicant's Facility	Gamble Road Greeneville, TN 37745	2015	CN1511-050	\$231.25
Bradley/Cleveland Services	764 Old Chattanooga Pike, SW Cleveland, TN 37311	2008	CN0809-064	\$140
RHA/Trenton MR, Inc.	Site B, 1132 High Street Trenton, TN 38382	2008	CN0811-110	\$127
Comcare, Inc.	32 Whirlwind Road Greeneville, TN 37743	2008	CN0812-117	\$92

November 20, 2015**3:30 pm****Supplemental Attachment – Revised Project Data Chart**

November 20, 2015**3:30 pm****PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	<u>Year 1</u>	<u>Year 2</u>
	<u>1460 bed days</u>	<u>1460 bed days</u>
A. Utilization Data (Specify unit of measure)		
B. Revenue from Services to Patients		
1. Inpatient Services ICF/IID	\$ 1,004,405	\$ 1,024,493
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify) _____		
Gross Operating Revenue	\$ 1,004,405	\$ 1,024,493
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ _____	\$ _____
2. Provision for Charity Care		
3. Provisions for Bad Debt		
Total Deductions	\$ 0	\$ 0
NET OPERATING REVENUE	\$ 1,004,405	\$ 1,024,493
D. Operating Expenses		
1. Salaries and Wages	\$ 535,463	\$ 546,172
2. Physician's Salaries and Wages		
3. Supplies		
4. Taxes		
5. Depreciation		
6. Rent	88,500	90,270
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates	52,360	53,407
9. Other Expenses (Specify) <u>(see attached)</u>	328,082	334,644
Total Operating Expenses	\$ 1,004,405	\$ 1,024,493
E. Other Revenue (Expenses) -- Net (Specify)	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)	\$ 0	\$ 0
F. Capital Expenditures		
1. Retirement of Principal	\$ _____	\$ _____
2. Interest		
Total Capital Expenditures	\$ 0	\$ 0
NET OPERATING INCOME (LOSS)	\$ 0	\$ 0
LESS CAPITAL EXPENDITURES	\$ 0	\$ 0

Attachment C. Economic Feasibility - 10**Balance Sheet, Income Statement and Audited Financial Statement**

**OPEN ARMS CARE CORPORATION INC.,
AND AFFILIATES**

Consolidated Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13
Supplementary Information:	
Supplemental Schedule - Consolidating Balance Sheet	14 - 15
Supplemental Schedule - Consolidating Statement of Operations and Changes in Net Assets (Deficit)	16



LATTIMORE BLACK MORGAN & CAIN, PC
 CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
 Open Arms Care Corporation Inc., and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Arms Care Corporation Inc., and Affiliates as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 14-16 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
May 26, 2015

98
OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Balance Sheets

December 31, 2014 and 2013

	<u>Assets</u>	
	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,376,934	\$ 2,241,667
Funds held in custody for others	341,008	227,967
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$89,000 in 2014 and 2013	3,461,373	3,235,963
Prepaid expenses and other current assets	50,657	65,368
Trusted funds - current portion	<u>309,272</u>	<u>1,092,324</u>
Total current assets	<u>5,539,244</u>	<u>6,863,289</u>
Property and equipment:		
Land and land improvements	3,635,056	3,408,743
Buildings and improvements	20,623,250	20,421,917
Furniture and equipment	4,017,214	3,942,706
Vehicles	<u>86,893</u>	<u>92,789</u>
	28,362,413	27,866,155
Accumulated depreciation and amortization	<u>(23,234,385)</u>	<u>(22,007,838)</u>
Property and equipment	<u>5,128,028</u>	<u>5,858,317</u>
Other Assets:		
Trusted funds	3,006,237	3,740,683
Bond issue costs, less accumulated amortization of approximately \$1,756,000 and \$1,691,000 in 2014 and 2013, respectively	141,157	197,786
Investments and other long-term assets	<u>1,140,844</u>	<u>1,093,683</u>
Total other assets	<u>4,288,238</u>	<u>5,032,152</u>
Total assets	<u>\$ 14,955,510</u>	<u>\$ 17,753,758</u>

	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable and accrued expenses	\$ 690,968	\$ 661,879
Funds held in custody for others	341,008	227,967
Accrued salaries and benefits	783,587	912,761
Accrued interest	234,698	274,909
Current portion of long-term debt	<u>2,059,992</u>	<u>1,964,992</u>
Total current liabilities	<u>4,110,253</u>	<u>4,042,508</u>
Long-term debt, less current portion	<u>9,670,666</u>	<u>11,726,109</u>
Total liabilities	<u>13,780,919</u>	<u>15,768,617</u>
Net assets	<u>1,174,591</u>	<u>1,985,141</u>
Total liabilities and net assets	<u>\$ 14,955,510</u>	<u>\$ 17,753,758</u>

See accompanying notes to the consolidated financial statements.

99
OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted revenues:		
Net patient service revenues	\$ 38,502,732	\$ 38,566,913
Investment income	150,620	209,565
Net special events revenue	27,320	29,486
Other revenues	<u>171,609</u>	<u>45,851</u>
Total unrestricted revenues	<u>38,852,281</u>	<u>38,851,815</u>
Expenses:		
Salaries and wages	23,076,453	22,331,999
Employee benefits	4,441,974	4,376,569
Professional services	1,696,685	1,582,793
Supplies and expenses	4,826,986	4,672,551
Maintenance and repairs	525,870	494,137
Utilities	705,636	667,133
Insurance	515,976	494,518
Depreciation and amortization	1,058,046	1,110,673
Interest expense	651,871	748,270
Loss (gain) on disposal of property and equipment	(11,398)	691
Taxes and licenses	2,165,143	2,185,300
Provision for doubtful accounts	<u>9,589</u>	<u>16,306</u>
Total expenses	<u>39,662,831</u>	<u>38,680,940</u>
Excess of revenues over expenses (expenses over revenues)	(810,550)	170,875
Net assets at beginning of year	<u>1,985,141</u>	<u>1,814,266</u>
Net assets at end of year	<u>\$ 1,174,591</u>	<u>\$ 1,985,141</u>

See accompanying notes to the consolidated financial statements.

100
OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Excess of revenues over expenses (expenses over revenues)	\$ (810,550)	\$ 170,875
Adjustments to reconcile excess (deficit) revenues over expenses to net cash provided (used) by operating activities:		
Net gains on investments and trustee funds	(51,460)	(97,928)
Depreciation and amortization	1,058,046	1,110,673
Provision for doubtful accounts	9,589	16,306
(Gain) loss on disposal of property and equipment	(11,398)	691
(Increase) decrease in operating assets:		
Patient accounts receivable	(234,999)	120,355
Prepaid expenses and other current assets	14,711	(22,497)
Other assets	16,366	5,000
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	29,089	(1,633)
Accrued salaries and benefits	(129,174)	(649,460)
Accrued interest	(40,211)	(38,298)
Net cash provided (used) by operating activities	<u>(149,991)</u>	<u>614,084</u>
Cash flows from investing activities:		
Proceeds from the sale (purchases) of investments, net	(22,851)	97,665
Proceeds from disposal of property and equipment	4,708	15,110
Purchase of property and equipment	(259,889)	(189,954)
Decrease in trustee funds, net	<u>1,528,282</u>	<u>805,994</u>
Net cash provided by investing activities	<u>1,250,250</u>	<u>728,815</u>
Cash flows from financing activities -		
Principal payments of long-term debt	<u>(1,964,992)</u>	<u>(1,874,992)</u>
Decrease in cash and cash equivalents	(864,733)	(532,093)
Cash and cash equivalents at beginning of year	<u>2,241,667</u>	<u>2,773,760</u>
Cash and cash equivalents at end of year	\$ <u>1,376,934</u>	\$ <u>2,241,667</u>
Supplemental disclosure of cash flow information -		
Cash paid for interest	\$ <u>692,082</u>	\$ <u>786,568</u>

See accompanying notes to the consolidated financial statements.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

(1) Organization

The accompanying consolidated financial statements of Open Arms Care Corporation Inc., and Affiliates (collectively the "Company") include the transactions and accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation ("Foundation"), and Open Arms Health System, LLC ("Clinic").

Open Arms Care Corporation, Inc. owns intermediate care facilities for persons with intellectual and developmental disabilities. The facilities are located in Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. Prior to November 6, 2000, Open Arms Care Corporation, Inc. was known as Rebound Care Corporation d/b/a Open Arms Care Corporation. In 2005, the Foundation was formed to support non-Medicaid allowable expenses and capital projects through charitable donations for the benefit of the Open Arms Care Corporation, Inc.'s clients. In 2013, Open Arms Health System, LLC was formed to provide routine clinic services to the clients and employees of Open Arms Care Corporation, Inc.

(2) Summary of significant accounting policies(a) Principles of consolidation

These consolidated financial statements include the accounts of Open Arms Care Corporation, Inc., Open Arms Care Foundation, Inc., and Open Arms Care Health Services, LLC. All significant intercompany accounts and transactions have been eliminated.

(b) Cash and cash equivalents

The Company considers cash and highly liquid investments having a maturity date at acquisition of 90 days or less, excluding amounts designated under bond indenture agreements and trusted funds designated for operating expenditures, to be cash and cash equivalents.

(c) Investments and trusted funds

Investments and trusted funds, which are comprised of cash and cash equivalents, equity and debt securities with readily determinable fair values, are accounted for as trading securities and all investments in such securities are measured at fair value. Investment income or loss (including realized gains and losses on the sale of investments, interest, dividends, and unrealized gains and losses on investments) is included in unrestricted revenues unless the income or loss is restricted by donor or law.

(d) Property and equipment

Property and equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings and improvements are generally depreciated over ten to twenty five years, furniture and equipment over three to ten years and vehicles over three to five years.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(e) Bond issue costs and discount

Bond issue costs and discount are being amortized using the effective interest method over the life of the debt.

(f) Performance indicator

The excess of revenues over expenses or expenses over revenues as reflected in the accompanying statements of operations is a performance indicator.

(g) Federal income taxes

Open Arms Care Corporation, Inc. is an organization recognized as exempt from federal income tax under Section 501(c)(3) and as a public charity under Section 509(a)(1) and as a hospital described in Section 170(b)(1)(A)(iii). Open Arms Care Foundation is an organization recognized as exempt from federal income tax under 501(c)(3) and as a public charity under Section 509(a)(1) and as a publicly supported organization under Section 170(b)(1)(A)(vi). The Internal Revenue Service has determined that the Company is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Open Arms Health System, LLC is a single member limited liability company and for tax purposes, is treated as a disregarded entity of Open Arms Care Corporation, Inc.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax purposes not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of December 31, 2014, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company files Federal Form 990 informational tax returns. The Company is currently open to audit under the statute of limitations for years ended December 31, 2011 through 2014.

(h) Revenue recognition

Net patient service revenue is recognized at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are made on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

(i) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Events occurring after reporting date

The Company has evaluated events and transactions that occurred between December 31, 2014 and May 26, 2015, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Credit risk

The Company may maintain cash and cash equivalents on deposit at banks in excess of federally insured amounts. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk related to cash and cash equivalents.

(4) Medicaid program

Services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Company is reimbursed at a rate determined prospectively based on its filed cost reports. Final determination of amounts to be received is subject to audit by Medicaid.

The State of Tennessee passed legislation, effective July 1, 1994, which imposed a provider tax on Intermediate Care Facilities for persons with intellectual and developmental disabilities at a rate of 6% of gross receipts, as defined. During 2008, this rate was reduced to 5.5%. The statements of operations include approximately \$2,106,000 and \$2,128,000 of Tennessee provider tax expense for 2014 and 2013, respectively. Additionally, net patient service revenues include approximately \$2,106,000 and \$2,128,000 in reimbursement related to per diem rates as a result of the provider tax for 2014 and 2013, respectively.

Substantially all net patient service revenues in 2014 and 2013 relate to services provided to patients covered by the Medicaid program. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. The Company believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

104
OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

(5) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2014 and 2013.

The following table sets forth by level, within the fair value hierarchy, the Company's investments and trustee funds at fair value as of December 31, 2014 and 2013:

Fair Value Measurements as of
December 31, 2014 using the following inputs

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 1,298,664	\$ -	\$ -	\$ 1,298,664
Marketable equity securities	511,181	-	-	511,181
Corporate & government debt securities	<u>461,884</u>	<u>2,155,449</u>	<u>-</u>	<u>2,617,333</u>
Total	<u>\$ 2,271,729</u>	<u>\$ 2,155,449</u>	<u>\$ -</u>	<u>\$ 4,427,178</u>

Fair Value Measurements as of
December 31, 2013 using the following inputs

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 1,615,766	\$ -	\$ -	\$ 1,615,766
Marketable equity securities	1,029,614	-	-	1,029,614
Corporate & government debt securities	<u>589,710</u>	<u>2,646,060</u>	<u>-</u>	<u>3,235,770</u>
Total	<u>\$ 3,235,090</u>	<u>\$ 2,646,060</u>	<u>\$ -</u>	<u>\$ 5,881,150</u>

(6) Trusteed funds

Trusteed funds consist of the following:

	<u>2014</u>	<u>2013</u>
Debt reserve funds	\$ 2,617,710	\$ 2,606,227
Debt service funds	309,272	1,092,324
Renewal and replacement funds	<u>388,527</u>	<u>1,134,456</u>
	<u>\$ 3,315,509</u>	<u>\$ 4,833,007</u>

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

The bond funds are maintained in accordance with the trust indentures related to the bond issue described in Note 7. Amounts on deposit in the debt service and debt reserve funds are required to be used to pay interest, principal and provide security (collateral) for indebtedness on the bonds. Amounts on deposit in the renewal and replacement funds are excess funds to be used in the event there are insufficient moneys available to pay all amounts due as to principal and interest on the Series 1998 Bonds, payment of operating expenses to the extent of any deficiency in the operating and maintenance fund, and payment of the cost of additions and capital improvements.

(7) Long-term debt

Long-term debt consists of the following:

	<u>2014</u>	<u>2013</u>
The Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee Health Facility Revenue Refunding Bonds Series 1998 (Series 1998 Bonds), interest varying from 5.0% to 5.1% through 2019.	\$ 10,975,000	\$ 12,860,000
The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee; interest at 4.34% per annum due July 1, 2023.	766,750	846,742
	<u>(11,092)</u>	<u>(15,641)</u>
Less bond issue discount	11,730,658	13,691,101
	<u>(2,059,992)</u>	<u>(1,964,992)</u>
Less current portion	\$ 9,670,666	\$ 11,726,109
Long-term debt, net of current portion		

In 1998, the Company issued \$32,585,000 Series 1998 Bonds. The Series 1998 Bonds were issued under the terms of a Note and Master Trust Indenture dated September 1, 1998. The proceeds of the Series 1998 Bonds were used to refund all of The 1992 Health, Educational and Housing Facility Board of the county of Shelby, Tennessee Revenue Bonds, fund a debt service fund for the Series 1998 Bonds, and pay a portion of the costs of issuing the bonds.

The Series 1998 Bonds are insured by a municipal bond insurance policy with Radian Group, Inc. ("Radian") and are secured by the assets of the Company. Bonds that mature on or after August 1, 2012 are subject to redemption in whole or in part at any time after August 1, 2008 at par.

In 2003, the Company borrowed \$1,600,000 at an interest rate equal to 4.38% per annum from the Health, Educational, and Housing Facility Board of the county of Shelby, Tennessee maturing on July 1, 2023 for the purchase of the new land and building in Memphis, Tennessee. The original loan agreement stated a call provision that allowed the holder to demand full payment on February 1, 2009. On April 13, 2009, this loan agreement was amended and the call provision was extended until April 1, 2011 and the interest rate was reduced to 3.47%. On May 17, 2011, this loan agreement was amended and the call provision was extended until April 1, 2016 and the interest rate was increased to 4.34%.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

A summary of approximate future maturities on long-term debt as of December 31, 2014 is as follows:

<u>Year</u>	
2015	\$ 2,059,992
2016	2,165,000
2017	2,270,000
2018	2,380,000
2019	2,500,000
2020 and later years	366,758
Less bond issue discount	<u>(11,092)</u>
	<u>\$ 11,730,658</u>

During 2015, the long-term debt discussed above was paid off in conjunction with a sale-leaseback transaction as discussed in Note 13.

(8) Investment income

Investment income during 2014 and 2013 was comprised of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividend	\$ 99,160	\$ 111,637
Realized gain	183,314	63,742
Change in unrealized gain (loss)	<u>(131,854)</u>	<u>34,186</u>
	<u>\$ 150,620</u>	<u>\$ 209,565</u>

(9) Commitments and ContingenciesOperating Lease Commitments

Future minimum annual rental payments under noncancelable operating lease and service agreements as of December 31, 2014 are as follows:

<u>Year</u>	
2015	\$ 306,000
2016	278,000
2017	87,000
2018	<u>7,000</u>
	<u>\$ 678,000</u>

Total rental expense under noncancelable operating leases and service agreements, which includes amounts applicable to short-term leases, was approximately \$1,026,000 and \$934,000 for 2014 and 2013, respectively. The expense is higher than the future commitments due to vehicle leases that have cancellation features at the Company's option.

107
OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

Healthcare Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Company's operations.

Insurance

The Company maintains claims made basis professional and occurrence basis general liability insurance for primary coverage. The Company also maintains excess insurance coverage.

Litigation

The Company is subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Company's financial position.

(10) Related party transactions

The Company incurred professional fees and expenses totaling approximately \$50,000 and \$87,000 in 2014 and 2013, respectively, for services provided by an entity owned by a board member.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Notes to the Consolidated Financial Statements

December 31, 2014 and 2013

(11) Functional expenses

The Company provides intermediate care services to individuals with intellectual and developmental disabilities within certain geographic locations. Expenses related to providing these services are as follows:

	<u>2014</u>	<u>2013</u>
Intellectual and developmental services	\$ 36,315,584	\$ 35,413,920
General and administrative	3,322,901	3,213,287
Fundraising	<u>24,346</u>	<u>53,733</u>
	<u>\$ 39,662,831</u>	<u>\$ 38,680,940</u>

(12) Retirement plan

The Company has a defined contribution 403(b) retirement plan for employees who have two years of service. For the years ended December 31, 2014 and 2013, the Company contributed approximately 1.0% of each participants' compensation, subject to Internal Revenue Code limitations. The Company contributed approximately \$147,000 and \$146,000 to the plan in 2014 and 2013, respectively.

(13) Subsequent events

During April 2015, the Company sold substantially all of its property and equipment to an unrelated party for approximately \$11.5 million. The Company received cash of approximately \$9.6 million and a note receivable for \$1.9 million. The Company used the cash proceeds and certain trusteed funds to retire all of the Company's long-term debt discussed in Note 7. The gain, which was approximately \$5,765,000, will be deferred and recognized as a reduction in rent expense over the term of the new lease. In conjunction with the transaction, the Company entered into an agreement to lease the property and equipment from the buyer. The lease is for a term of 15 years and can be extended at the option of the Company for two additional 5 year terms. The payments under the lease through the initial lease term ending in 2030 are as follows:

<u>Year</u>	
2015	\$ 2,714,000
2016	3,276,000
2017	2,746,000
2018	2,112,000
2019	1,586,000
Thereafter	<u>6,600,000</u>
	<u>\$ 19,034,000</u>

During 2015, the Company entered into a long-term management agreement with Integra Resources, LLC to manage its facilities. The management agreement is for a term of 7 years and calls for annual payments of approximately \$2.4 million.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Balance Sheet

December 31, 2014

	Chattanooga	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Current Assets:										
Cash and cash equivalents	\$ 4,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 1,071,871	\$ 1,090,871	\$ 90,474	\$ 1,181,345	\$ 195,589	\$ 1,376,934
Funds held in custody for others	73,558	40,541	121,237	105,672	-	341,008	-	341,008	-	341,008
Patient accounts receivable, net	828,978	916,787	912,479	803,026	103	3,461,373	-	3,461,373	-	3,461,373
Prepaid expenses and other current assets	16,431	14,841	7,324	11,076	985	50,657	-	50,657	-	50,657
Trusteed funds - current portion	-	-	-	-	309,272	309,272	-	309,272	-	309,272
Total current assets	922,967	977,169	1,046,040	924,774	1,382,231	5,253,181	90,474	5,343,655	195,589	5,539,244
Property and equipment:										
Land and land improvements	668,173	906,081	681,621	1,379,181	-	3,635,056	-	3,635,056	-	3,635,056
Buildings and improvements	5,021,197	4,879,231	6,110,235	4,589,108	23,479	20,623,250	-	20,623,250	-	20,623,250
Furniture and equipment	827,784	965,344	870,188	863,079	490,819	4,017,214	-	4,017,214	-	4,017,214
Vehicles	9,234	18,555	25,610	33,494	-	86,893	-	86,893	-	86,893
Accumulated depreciation and amortization	6,526,388	6,769,211	7,687,654	6,864,862	514,298	28,362,413	-	28,362,413	-	28,362,413
	(5,400,090)	(5,889,659)	(5,711,051)	(5,753,666)	(479,919)	(23,234,385)	-	(23,234,385)	-	(23,234,385)
Property and equipment	1,126,298	879,552	1,976,603	1,111,196	34,379	5,128,028	-	5,128,028	-	5,128,028
Other assets:										
Trusteed funds	795,513	475,716	470,639	796,527	467,842	3,006,237	-	3,006,237	-	3,006,237
Bond issue costs, less accumulated amortization	42,150	25,211	31,593	42,203	-	141,157	-	141,157	-	141,157
Investments and other long-term assets	7,500	6,815	14,360	-	1,112,169	1,140,844	-	1,140,844	-	1,140,844
Total other assets	845,163	507,742	516,592	838,730	1,580,011	4,288,238	-	4,288,238	-	4,288,238
Total assets	\$ 2,894,428	\$ 2,364,463	\$ 3,539,235	\$ 2,874,700	\$ 2,996,621	\$ 14,669,447	\$ 90,474	\$ 14,759,921	\$ 195,589	\$ 14,955,510

See accompanying independent auditors' report

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Balance Sheet (continued)

December 31, 2014

	Chattanooga	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Current liabilities:										
Accounts payable and accrued expenses	\$ 134,896	\$ 133,852	\$ 216,547	\$ 118,089	\$ 75,065	\$ 678,449	\$ -	\$ 678,449	\$ 12,519	\$ 690,968
Funds held in custody for others	73,558	40,541	121,237	105,672	-	341,008	-	341,008	-	341,008
Accrued salaries and benefits	235,281	174,398	153,070	169,637	51,201	783,587	-	783,587	-	783,587
Accrued interest	73,085	43,713	44,723	73,177	-	234,698	-	234,698	-	234,698
Current portion of long-term debt	620,486	371,115	447,127	621,264	-	2,059,992	-	2,059,992	-	2,059,992
Total current liabilities	1,137,306	763,619	982,704	1,087,839	126,266	4,097,734	-	4,097,734	12,519	4,110,253
Intercompany payable/(receivable)	(3,528,646)	(738,127)	(1,072,795)	(2,801,424)	8,140,992	-	-	-	-	-
Long-term debt, less current portion	2,814,794	1,683,875	2,352,573	2,819,424	-	9,670,666	-	9,670,666	-	9,670,666
Total liabilities	423,454	1,709,367	2,262,482	1,105,839	8,267,258	13,768,400	-	13,768,400	12,519	13,780,919
Net assets (deficit), unrestricted	2,470,974	655,096	1,276,753	1,768,861	(5,270,637)	901,047	90,474	991,521	183,070	1,174,591
Total liabilities and net assets (deficit)	\$ 2,894,428	\$ 2,364,463	\$ 3,539,235	\$ 2,874,700	\$ 2,996,621	\$ 14,669,447	\$ 90,474	\$ 14,759,921	\$ 195,589	\$ 14,955,510

See accompanying independent auditors' report

OPEN ARMS CARE CORPORATION INC., AND AFFILIATES

Supplemental Schedule - Consolidating Statement of Operations and Changes in Net Assets (Deficit)

For the year ended December 31, 2014

	Chattanooga	Knoxville	Memphis	Nashville	Headquarters	Subtotal Open Arms Care Corporation	Open Arms Health System, LLC	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Consolidated Open Arms Care Corporation
Unrestricted revenue:										
Net patient services revenue	\$ 10,112,558	\$ 9,965,808	\$ 9,581,650	\$ 8,842,716	\$ -	\$ 38,502,732	\$ -	\$ 38,502,732	\$ -	\$ 38,502,732
Investment income	27,214	16,264	16,090	27,234	63,598	150,400	-	150,400	220	150,620
Net special events revenue	-	-	-	-	-	-	-	-	27,320	27,320
Intercompany revenue	22,632	2,424	10,095	5,591	8,625	49,367	-	49,367	(49,367)	-
Other revenues	26,063	24,385	24,492	30,966	15,149	121,055	1,000	122,055	49,554	171,609
Total unrestricted revenues	10,188,467	10,008,881	9,632,327	8,906,507	87,372	38,823,554	1,000	38,824,554	27,727	38,852,281
Expenses:										
Salaries and wages	5,810,077	5,935,693	5,418,382	5,311,568	600,733	23,076,453	-	23,076,453	-	23,076,453
Employee benefits	1,258,451	1,227,786	951,774	950,885	53,078	4,441,974	-	4,441,974	-	4,441,974
Professional services	238,449	217,620	631,742	252,387	352,877	1,693,075	2,610	1,695,685	1,000	1,696,685
Supplies and expenses	1,207,485	1,105,180	1,160,867	922,919	401,256	4,797,707	20,325	4,818,032	8,954	4,826,986
Maintenance and repairs	151,884	115,002	130,930	122,854	4,895	525,565	305	525,870	-	525,870
Utilities	187,795	159,041	155,874	202,209	717	705,636	-	705,636	-	705,636
Insurance	122,092	127,060	114,992	117,292	34,540	515,976	-	515,976	-	515,976
Depreciation and amortization	263,571	233,956	291,373	244,068	25,078	1,058,046	-	1,058,046	-	1,058,046
Interest expense	192,994	115,421	150,172	193,284	-	651,871	-	651,871	-	651,871
Loss (gain) on disposal of property and equipment	(1,281)	1,071	(6,757)	(4,431)	-	(11,398)	-	(11,398)	-	(11,398)
Taxes and licenses	573,559	557,602	534,431	496,966	2,025	2,164,583	393	2,164,976	167	2,165,143
Provisions for doubtful accounts	9,268	-	321	-	-	9,589	-	9,589	-	9,589
Intercompany expense	305,184	305,184	305,184	305,184	(1,220,736)	-	-	-	-	-
Total expenses	10,319,528	10,100,616	9,839,285	9,115,185	254,463	39,629,077	23,633	39,652,710	10,121	39,662,831
Increase (decrease) in net assets (deficit)	(131,061)	(91,735)	(206,958)	(208,678)	(167,091)	(805,523)	(22,633)	(828,156)	17,606	(810,550)
Net assets (deficit) at beginning of year	2,602,035	746,831	1,483,711	1,977,539	(5,103,546)	1,706,570	113,107	1,819,677	165,464	1,985,141
Net assets (deficit) at end of year	\$ 2,470,974	\$ 655,096	\$ 1,276,753	\$ 1,768,861	\$ (5,270,637)	\$ 901,047	\$ 90,474	\$ 991,521	\$ 183,070	\$ 1,174,591

111

See accompanying independent auditors' report

Open Arms Care Corporation
Summary of All Units
BALANCE SHEET
Wednesday, September 30, 2015
@YTD

10/12/2015

ASSETS**CURRENT ASSETS:**

Cash	\$2,608,360.12
ServisFirst-General	2,003,119.24
Client Funds	341,008.05
Cash in Escrow	4,000.00
Accounts Receivable-Patient	3,276,407.18
Accounts Receivable-Other	20,786.54
Accounts Receivable-OAHS	383.25
Allowance for Doubtful Accounts	(89,354.81)
Prepaid Expense	49,986.23
Total Current Assets	8,214,695.80

Property & Equipment:

PP&E Clearing (WCO)	186,294.79
Buildings & Improvements	14,916.28
Vehicles	69,049.35
Less Accumulated Depreciation	(70,167.65)
Net Property & Equipment	200,092.77

Deposits	14,815.18
Note Receivable	1,914,894.96
Investment in OAHS	125,100.00
Other Non Current Assets	14,360.00
Total Assets	\$10,483,958.71

Liabilities & Fund Balance**Current Liabilities**

Accounts Payable	368,843.19
Client Funds	341,008.05
Employee Withholdings	10,237.55
Accrued Salaries & Payroll Taxes	595,852.94
Accrued Vacation	492,888.13
Accrued Expenses	518,785.59
Accrued Interest	20,000.00
Accrued Rent	1,414,792.20
Deferred Rent	16,439.00
Due to Management Company	49,355.65
Total Current Liabilities	3,828,202.30

Deferred Gain	6,665,761.83
Deferred Gain - Closing Costs	(900,201.61)
Note Payable-Integra	2,000,000.00
Total Liabilities	\$11,593,762.52

Fund Balance

Beginning Fund Balance	1,026,148.18
Net Surplus (Deficit)	(2,135,951.99)
Total Fund Balance	(1,109,803.81)
Total Liabilities & Fund Balance	\$10,483,958.71

REVENUE

	REVENUE			EXPENSES			TOTAL		
	June ACTUAL	July ACTUAL	August ACTUAL	September ACTUAL	BUDGET	Var	YTD ACTUAL	BUDGET	Var
Medicaid	\$3,130,679	\$3,221,959	\$3,228,407	\$3,126,748	\$3,265,699	(\$138,951)	\$28,265,601	\$29,337,421	(\$1,071,820)
Resident Liability	109,395	105,600	106,126	106,126		106,126	962,884	962,884	
Unrealized Gains (Losses)							(149,897)		(149,897)
Miscellaneous Income	15	70,769	848				71,707		71,707
Investment Income	728	595	594	576		576	178,322		178,322
Gain/ Loss-Asset Disposal	2,550						5,325		5,325
Donations	200	1,350	8				1,563		1,563
United Way Designations			145				196		196
Corporate Gifts & Grants							2,720		2,720
Support from OACF							1,829		1,829
Total Revenue	3,243,567	3,400,273	3,336,126	3,233,450	3,265,699	/32,249	29,340,350	29,337,421	2,923

113

Salary Wages	370,791	367,994	366,523	308,962	329,376	20,414	3,529,380	3,306,195	(223,185)
Regular Hourly Wages	1,124,275	1,171,711	1,188,009	1,152,262	1,143,671	(8,591)	10,180,340	10,358,541	178,201
Overtime Wages	61,211	70,580	93,314	83,598	49,498	(34,100)	568,893	445,498	(123,395)
Sick Wages	21,072	21,039	23,334	26,602	25,156	(1,446)	215,661	226,403	10,742
Incentive/Bonus Wages	200	2,882	(427)	2,050	2,922	872	14,165	28,308	12,143
Holiday Wages	6,846	63,671	61,177	65,341	38,685	(26,656)	319,973	348,173	28,200
Vacation Wages	77,240	73,434	71,760	61,578	67,165	5,487	572,012	604,496	32,484
Training Wages	3,461	3,775	2,962	3,845	3,320	(525)	32,123	29,880	(2,243)
Temporary Labor Services	6,982	16,059	17,224	24,427	6,802	(17,625)	126,271	61,218	(64,053)
Payroll Taxes	122,429	132,176	128,439	127,157	122,795	(4,362)	1,158,527	1,136,746	(21,781)
TOTAL	1,794,307	1,923,321	1,897,315	1,855,922	1,789,390	(66,532)	18,716,345	16,543,458	(2,172,887)

- Medical/Hospital Benefits
- Dental Insurance Benefits
- Life Ins AD&D Benefits
- 403B Contributions
- Workers Compensation
- Staff Education-Tuition Reimb
- Other Benefits

Medical-Hospital Benefits	260,018	229,558	265,978	247,877	260,272	12,395	2,339,367	2,397,712	58,344
Dental Insurance Benefits	4,703	4,971	4,967	4,709	5,184	475	44,020	46,802	2,788
Life Ins AD&D Benefits	13,856	14,568	13,969	13,702	14,285	583	128,671	130,283	1,531
403B Contributions	10,634	15,897	10,451	10,771	11,364	593	106,735	105,203	(1,531)
Workers Compensation	36,336	68,299	54,248	55,023	62,266	7,243	504,307	550,394	45,987
Staff Education-Tuition Reimb	2,588	588	3,983		2,774	2,774	22,120	24,966	2,846
Other Benefits	62	277	161	72	91	19	1,192	818	(37)
TOTAL	330,197	334,158	353,757	332,154	356,236	24,082	3,146,412	3,266,178	119,766
OPERATING EXPENSE									
Awards & Incentives	950	354	3,036	25,247	3,765	(21,482)	43,262	33,885	(9,377)
Bad Debt					807	807		7,253	7,261
Bank Charges	1,202	1,217	766	661	2,002	1,341	16,464	18,018	1,554
				UNAUDITED					

**Awards & Ince
Bad Debi
Bank Charges**

Awards & Incentives	950	354	3,036	25,247	3,765	(21,482)	43,282	33,885	(9,377)
Bad Debt					807	807		7,253	7,261
Bank Charges	1,202	1,217	766	661	2,002	1,341	16,464	18,018	1,554
				UNAUDITED					

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Wednesday, September 30, 2015

	June ACTUAL	July ACTUAL	August ACTUAL	September BUDGET	Var	ACTUAL	BUDGET	Var
Client Lodging	(170)	20	76	44	44	872	396	39
Community Awareness	152	305	152	75	75	20	6,984	12
Consult/Contract-Ambulance	21,724	76	43,536	502	350	325	36	6,111
Consult/Contract-Audiology	5,745	18,564	7,874	23,786	(14,529)	1,900	4,518	2,611
Consult/Contract-Behav Spec	15,404	7,324	8,120	5,789	(2,331)	254,705	213,804	40,901
Consult/Contract-Dietary	9,659	11,700	17,209	14,324	567	72,475	52,101	20,377
Consult/Contract-P.T.	2,235	9,923	10,335	9,146	285	125,542	128,916	3,374
Consult/Contract-Psychiatry	10,127	1,500	2,200	2,467	517	84,436	82,314	2,122
Consult/Contract-Psychology	5,232	4,009	7,561	5,346	1,507	18,642	22,203	3,561
Consult/Contract-Social Services	6,932	819	6,573	3,839	(537)	55,304	48,114	7,190
Consult/Contract-Speech	4	8,592	13,644	6,105	(337)	37,820	50,112	12,292
Consult/Contract-IT	127	231	345	7,652	125	91,934	92,205	27
Consult/Contract-Lab Fees	1,414	434	1,295	(341)	691	165	1,125	960
Consult/Contract-Holline	14,300	14,643	14,197	560	78	254	3,150	2,896
Consult/Contract-Pharmacy	2,100	932	1,594	14,202	1,139	463	702	233
Consult/Contract-Physicians	12,910	5,833	2,100	1,050	(602)	12,767	10,251	2,516
Consult/Contract-RN	2,102	932	1,594	1,050	(602)	128,241	122,400	5,841
Consult/Contract-Vision	12,910	5,833	2,100	1,050	(602)	6,300	11,448	5,148
Directors' Fees & Expenses	4,731	2,157	5,833	816	656	11,978	74,997	63,019
Dues & Subscriptions	14,388	9,047	1,729	7,083	1,250	61,953	55,161	6,792
Equipment-Non Capital	43,302	43,302	32,085	3,389	2,740	37,842	110,655	72,813
Improvements-Non-Capital	8,502	10,088	10,016	32,639	(20,343)	133,420	2,982	130,438
Insurance	15,837	15,425	10,066	43,302	112	390,597	390,597	0
IT Support - PC/Laptop Support	3,041	15,425	10	9,415	(1,416)	79,438	71,991	7,447
IT Support - Network/Server				14,989	2,553	138,020	152,274	14,254
IT Support - Minor Equipment				5,423	(4,308)	57,420	10,029	47,391
IT Support - Shipping					44		396	396
IT Support - Special Projects					2,933	23,092	26,397	3,305
IT Support - Other					235		2,115	2,115
Janitorial Services	7,656	7,905	10,623	8,351	(51)	71,736	72,063	327
Late Fees/Finance Charges	38	705	128	(51)	51	1,865	1,865	0
Leased Building & Storage	32,479	30,536	31,576	32,392	2,258	289,550	311,850	22,300
Leased Equipment	12,433	13,188	12,560	10,298	2,179	116,783	112,269	4,514
Leased Transportation Vehicles	28,234	28,042	29,431	29,526	9,710	251,852	374,924	123,072
Maintenance & Repair-Building	15,446	22,711	52,522	14,823	3,592	180,548	165,735	14,813
Maintenance & Repair-Equip	6,221	5,906	8,136	8,856	815	65,958	87,039	21,081
Maintenance & Repair-Grounds	9,898	9,036	15,199	9,052	(293)	78,901	78,831	70
Maintenance & Repair-Vehicles	14,379	6,665	14,323	9,499	535	86,388	90,646	4,258
Medical Equipment	1,792	480	79	1,402	118	10,514	13,680	3,166
Meetings	6,104	3,570	3,210	4,047	(862)	27,082	28,665	1,583
Miscellaneous - Unallowable	7,995	7,802	7,808	20	(20)	5,220	86,526	81,306
Network Expense	14,285	19,844	15,277	8,306	1,308	70,151	150,597	80,446
Payroll Expenses	2,743	664	3,723	15,250	1,483	152,715	19,431	133,284
Pest Control	1,585	951	2,313	1,500	859	20,657	19,431	1,226
Postage and Courier Services				1,364	240	13,609	14,436	827

UNAUDITED

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Wednesday, September 30, 2015

	June ACTUAL	July ACTUAL	August ACTUAL	September BUDGET	Var	ACTUAL	BUDGET	YTD BUDGET	Var
Printing	74	321		499	(1,759)	4,936	4,491	4,491	(445)
Professional Fees-Audit	4,379	6,000	1,750	2,258	1,570	54,329	33,930	33,930	(20,399)
Professional Fees-Legal	11,248	1,491	348	(5,857)	17,816	42,232	105,831	105,831	63,599
Professional Fees-Other	4,300	4,420	14,275	13,750	(11,639)	67,851	18,999	18,999	(48,852)
Recreation - Clients	7,524	5,688	3,072	6,195	2,036	55,801	74,079	74,079	18,278
Security Services	1,726	260	780	7,773	(5,416)	21,777	21,213	21,213	(564)
Staff Education, Seminars	2,046	7,637	4,980	28	2,545	27,226	23,157	23,157	(4,069)
Staff Recruitment-Advertising	703	204	1,345	68	959	8,975	9,243	9,243	268
Staff Recruitment-PreEmploy	6,265	3,428	6,361	7,388	(2,436)	50,250	44,568	44,568	(5,682)
Staff Training Materials	2,140	3,423	3,346	599	1,934	20,910	22,797	22,797	1,887
Supplies-Cleaning and Laundry	9,564	8,111	11,926	10,409	(654)	69,327	87,795	87,795	(1,532)
Supplies-Clinic	7,577	6,861	7,588	8,323	(1,991)	66,346	56,988	56,988	(9,358)
Supplies-Clothing	1,380	305	788	728	564	8,975	11,628	11,628	2,653
Supplies-Food	76,125	73,045	71,059	74,541	(2,592)	637,732	647,541	647,541	9,809
Supplies-Food Supplements	4,634	6,161	4,946	8,819	(3,126)	48,382	51,237	51,237	2,855
Supplies-Non-food	6,492	5,188	7,306	7,352	(1,705)	53,390	50,828	50,828	(2,562)
Supplies-Medical	23,319	20,613	26,508	20,745	2,880	195,511	210,825	210,825	15,314
Supplies-Office	6,977	3,606	8,345	9,103	(2,370)	54,489	60,595	60,595	6,106
Supplies-Pharmacy-OTC	10,966	(1,633)	13,891	4,715	507	58,247	46,998	46,998	(11,249)
Supplies-Pharmacy-Rx	12,439	(1,901)	18,534	10,857	(2,845)	96,820	72,108	72,108	(24,712)
Supplies-Program	4,749	4,458	6,420	4,199	1,286	41,443	49,365	49,365	7,922
Supplies-Resident Decor/Linens	3,371	1,296	1,726	2,079	173	13,360	20,268	20,268	6,908
Taxes & Licenses-Business	12,010	2,425	(800)	1,659	3	49,973	39,447	39,447	(10,526)
Taxes & Licenses-Other	1,097	1,200	(800)	194	(1,465)	5,494	1,746	1,746	(3,748)
Taxes & Licenses-Provider	184,203	179,414	182,087	188,260	13,382	1,620,579	1,616,536	1,616,536	(4,043)
Taxes & Licenses-Transport	1,269	9	117	264	284	2,548	2,388	2,388	(160)
Telephone-Cell Phones	6,441	5,571	6,381	5,996	1,868	53,195	71,592	71,592	18,397
Telephone-Regular & Pagers	7,053	6,176	8,514	5,851	353	60,369	55,836	55,836	(4,533)
Telephone-Long Distance	448	310	237	387	144	2,614	4,779	193,153	1,965
Transportation-Gas, Oil, Detail	17,618	17,014	13,987	12,779	8,422	125,343	193,153	193,153	66,810
Travel-Airfare		1,144			256	1,144	2,304	2,304	1,160
Travel-Lodging	4,307	2,083	4,633	5,512	(1,358)	21,999	37,404	37,404	15,405
Travel-Meals & Entertainment	305	1,434	3,165	1,200	85	8,868	11,565	11,565	2,697
Travel-Mileage	4,140	3,679	4,242	3,992	184	32,315	37,586	37,586	5,271
Travel-Parking, Tolls, Auto	451	135	284	135	145	1,628	2,520	2,520	892
Utilities-Cable	3,236	2,954	3,841	3,406	(190)	29,690	28,944	28,944	(746)
Utilities-Electric	36,311	40,008	45,502	33,153	7,539	366,385	366,228	366,228	(157)
Utilities-Gas	1,170	555	1,809	820	1,694	20,176	22,626	22,626	2,450
Utilities-Propane					498	3,654	4,482	4,482	828
Utilities-Septic	1,100		2,200	1,100	157	9,900	11,313	11,313	1,413
Utilities-Water & Sewer	10,337	11,253	12,990	9,598	1,610	100,828	100,872	100,872	44
Integra - Cost of Operations	47,688	49,975	45,221	38,822	6,048	277,627	314,890	314,890	36,463
Integra - Management Fee	199,360	199,360	199,360	199,360	640	1,196,160	1,400,000	1,400,000	203,840
TOTAL	1,106,612	1,012,119	1,201,506	1,108,491	11,953	9,043,560	9,467,747	9,467,747	424,187

ALLOCATIONS
Central Support Services

1

(1)

UNAUDITED

(1)

(1)

(1)

5

6

Open Arms Care Corporation
Summary of All Units
Trended Income Statement
For the Nine Months Ending Wednesday, September 30, 2015

	June ACTUAL	July ACTUAL	August ACTUAL	ACTUAL	BUDGET	Var	ACTUAL	BUDGET	Var
TOTAL	1	(1)			(1)	(1)	(1)	5	
TOTAL OPERATING EXPENSE	3,231,117	3,269,697	3,452,578	3,297,567	3,267,069	(30,498)	28,906,316	29,277,398	371,071
OPERATING MARGIN	12,450	130,676	(116,452)	(64,117)	(1,370)	(62,747)	433,934	60,033	373,900
CAPITAL									
Amortization	371	371	371	371	371	(371)	152,250	152,250	(97,471)
Depreciation	20,073	20,003	20,423	20,004	82,784	62,780	265,283	187,804	409,511
Interest	301,523	301,523	301,523	301,523	301,523	(95,307)	343,219	752,729	(365,622)
Rent Expense	321,867	321,897	322,317	321,898	289,000	(32,898)	1,809,135	1,443,511	(365,622)
TOTAL							2,569,887	2,516,294	(53,593)
Net Surplus/(Deficit)	(\$309,517)	(\$191,221)	(\$436,769)	(\$386,015)	(\$290,370)	(\$95,645)	(\$2,135,953)	(\$2,456,261)	\$320,300

UNAUDITED

Contribution to the Orderly Development of Healthcare – 7 (C)**Licensure and Accreditation**



STATE OF TENNESSEE
DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL DISABILITIES
East Tennessee Regional Office of Licensure and Review
Greene Valley Developmental Center, Hawthorn Building
PO Box 910
Greeneville, Tennessee 37744-0910

February 18, 2015

Ms. Lisa King
Open Arms Care Corp.
Mountain View Rd, Suite 111
Ooltewah, TN 37363

Dear Lisa:

A review has been completed of Open Arms Care Corp. plan of compliance that was submitted on February 9, 2015. The approval status given your plan is: **Approved with Exception**- due to repeat findings noted from last year's licensure survey specifically pertaining to 6711 Mountain View Road. and Ringgold Road. sites. This approval status is noted on your plan of compliance. A copy of your plan of compliance is enclosed.

A detailed comprehensive plan indicating how your agency plans to address the repeat findings regarding the testing of emergency lights at 6711 Mountain View Road and Ringgold Road facilities must be submitted no later than March 4, 2015 .

Due to there being repeated findings, Open Arms Care Corp. is subject to a follow-up site inspection.

If you have any questions, please contact me by phone at 423-787-6553 or via email:
Elaine.C.Matthews@tn.gov

Sincerely,

A handwritten signature in cursive script that reads "Elaine Matthews".

Elaine Matthews
Licensure Coordinator



STATE OF TENNESSEE
 DEPARTMENT OF INTELLECTUAL & DEVELOPMENTAL DISABILITIES
 East Tennessee Regional Office of Licensure
 Greene Valley Developmental Center, Hawthorne Building
 PO Box 910
 KNOXVILLE, TENNESSEE 37902-2849

January 29, 2015

Ms. Lisa King
 Open Arms Care Corporation
 PO Box 929
 Ooltewah, TN 37363

Dear Ms. King:

Licenses for the facilities below expire on January 31, 2015. Licensure rule #0940-5-2-.14 states, "When a licensee has made timely and sufficient application for a new license (including payment of the required fees), the existing license does not expire until the status of the application has been determined by the Department".

A complete application and associated fees have been submitted. The licenses below will remain in effect pending resolution of the *extension reasons listed herein*. Please call if you have any questions.

10535 Highway 58 at 10535 North Highway 58, Ooltewah, TN 37363
 L000000012783 - Mental Retardation Institutional Habilitation, Capacity: 8
Reason for extension: Pending receipt of Plan of Compliance.

10539 Highway 58 at 10539 North Highway 58, Ooltewah, TN 37363
 L000000012784 - Mental Retardation Institutional Habilitation, Capacity: 8
Reason for extension: Pending receipt of plan of compliance.

11419 Highway 58 at 11419 North Highway 58, Georgetown, TN 37336
 L000000012785 - Mental Retardation Institutional Habilitation, Capacity: 8
Reason for extension: Pending receipt of Plan of Compliance.

11421 Highway 58 at 11421 North Highway 58, Georgetown, TN 37336
 L000000012786 - Mental Retardation Institutional Habilitation, Capacity: 8
Reason for extension: Pending Receipt of Plan of Compliance.

7841 Sims at 7841 Sims Road, Harrison, TN 37341
 L000000012787 - Mental Retardation Institutional Habilitation, Capacity: 8
Reason for extension: Pending receipt of Plan of Compliance.

Ms. Lisa King

January 29, 2015

Page 3

7845 Sims at 7845 Sims Road, Harrison, TN 37341

L000000012788 - Mental Retardation Adult Habilitation Day; Mental Retardation Institutional Habilitation, Capacity: 8

Reason for extension: Pending receipt of Plan of Compliance.

9253 Snow Hill at 9253 Snow Hill Road, Ooltewah, TN 37363

L000000012789 - Mental Retardation Institutional Habilitation, Capacity: 8

Reason for extension: Pending receipt of plan of compliance.

9255 Snow Hill at 9255 Snow Hill Road, Ooltewah, TN 37363

L000000012790 - Mental Retardation Institutional Habilitation, Capacity: 8

Reason for extension: Pending receipt of Plan of Compliance.

Open Arms Care Corporation - Mountain View at 6711 Mountain View Road, Suite 111, Ooltewah, TN 37363

L000000012791 - Mental Retardation Adult Habilitation Day

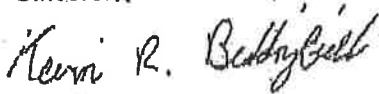
Reason for extension: Pending receipt of Plan of Compliance.

Open Arms Care Corporation - Ooltewah at 5731 Ooltewah-Ringgold Road, Ooltewah, TN 37363

L000000012792 - Mental Retardation Adult Habilitation Day

Reason for extension: Pending receipt of Plan of Compliance.

Sincerely,



Kevin Beddingfield



**STATE OF TENNESSEE
DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL
DISABILITIES**

**East Tennessee Regional Office of Licensure and Review
Greene Valley Developmental Center, Hawthorn Building
PO Box 910**

Greeneville, Tennessee 37744-0910

February 18, 2015

Lisa King
Open Arms Care Corp.
6711 Mountain View Rd., Suite 111
Ooltewah, TN 37363

Dear Ms. King :


A review has been completed of the Open Arms Care Corp. plan of compliance that was submitted on February 9, 2015. The approval status given your plan is: **Approved-** Your plan of compliance is acceptable. You are expected to meet the terms of your plan.

A copy of your plan of compliance is being returned to you and is enclosed. This approval status letter and your plan of compliance should become part of your records.

If you have any questions, please contact me by phone at (423) 787-6553 or by email at Elaine.C.Matthews@tn.gov

Sincerely,

Kevin R. Beddingfield
Licensure Surveyor, East Region
Department of Intellectual and Developmental Disabilities

 LICENSURE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM STATE OF TENNESSEE DEPARTMENT OF DEVELOPMENTAL DISABILITIES		DATE OF NOTICE: 1/30/2015 PAGE 1 OF 1 PAGE(S)		NOTICE OF NON-COMPLIANCE TO: (Licensee's Name & Address) Open Arms Care Corp. Mountain View 6711 Mountain View Rd, Suite 111 Ooltewah, TN 37363		
NAME AND ADDRESS OF DIDD LICENSURE OFFICE SENDING NOTICE: East Tennessee office of Licensure and Review Greene Valley Developmental Center, Hawthorne Building PO Box 910 Greenville, TN 37744-0910			EVENT AND DATE RESULTING IN THIS NOTICE: License Survey completed: 1/26/2015		NAME AND LOCATION OF FACILITY IN NON-COMPLIANCE: All Ooltewah Open Arms Sites	
NOTICE TO LICENSEE: Your facility has been found to be in non-compliance with the rule(s) listed on this form. You must provide a plan for complying with each rule cited in non-compliance. Type or print your plan(s) in the space provided on this form. Include the date by which you will be in compliance with each rule cited. Sign and date each page of the form. Return this form by the indicated date to the address of the DIDD Office of Licensure listed above.				YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN: 2/9/2015		

Reference Rule Number	Summary Of The Findings Of Non-Compliance With The Rule Reference	P.O.C. Review Code	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-03 (2)(a)	6711 Mountain view road site - There was no documentation found of emergency lights tested for 30 seconds during the months of Jan, Feb, Mar, April, May, June, July, Aug, Sept, and Dec 2014. "REPEAT FINDING"		DSM to in-service on checking the emergency lights monthly during completion of the monthly Fire Drill	3-1-15
4-.03(2)(a)(1)i	There was no documentation found of fire drills conducted during the months of December 2014. Ooltewah Ringgold Road Site -		(Completed)	
4-.03(2)(a)	There was no documentation of the emergency lights tested for 30 seconds during the months of Feb, Mar, April, May, June, July, Aug, and Sept, 2014" REPEAT FINDING"		DSM to in-service on checking the emergency lights monthly during completion of the monthly Fire Drill	3-1-15

SIGNATURE OF DIDD REVIEWER OF P.O.C.

DATE OF REVIEW:



2-18-15

P.O.C. Reviewer Code: (See Review & Approval Status Form For Explanations) A=Approved

SIGNATURE OF LICENSEE OR AUTHORIZED AGENT:

DATE OF SIGNATURE:



2/9/15

A=Approved With Exception

FR=Refused Resident

RS=Refused Service

Reference Rule Number	Summary Of The Provisions Of Non-Compliance With The Rules Referenced	P.O.C. Review Code	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
5.05(10)	Ookewah Ringgold Rd Site -Cont- The refrigerator in the kitchen had a bad thermometer.		DSM to replace thermostat	3-1-15
4.06(2)(a)	7845 Sims Road- There was no documentation found of emergency lights being tested for 30 seconds during the month of October.		(Completed)	
4.06(2)(a)10i	There was no documentation found of fire drills being conducted in October 2014.		(Completed)	
5.02(2)	Bed Room #2 has mold in shower.		PM to in-service on daily decontamination. Mold removed.	3-1-15
5.05 (11)	Thermometer in the Greenhouse freezer is missing.		DSM to replace thermostat.	3-1-15
5.05(12)	Dry food not stored in sealed containers.		PM to in-service on the proper storage of dry food goods.	3-1-15
5.05(12)	Food in refrigerator not sealed/covered.		PM to in-service on proper storage of food item kept in the refrigerator	3-1-15
2-16	DIDD License not posted in public area.			
SIGNATURE OF DIDD REVIEWER OF P.O.C.: <i>Mr. R. [Signature]</i>		DATE OF REVIEW: 2/18/15	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: <i>[Signature]</i>	DATE OF SIGNATURE: 2/9/15

P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.)

A = Approved

AE = Approved With Exception, RR = Rejected-Resubmit, RS = Rejected-Sanction

Reference Rule Number	Summary Of The Findings Of Non-Compliance With The Rules Regulated	P.O.C. Review Code	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-06 (2)(a)	7841 Sims Rd.- There was no documentation found for emergency lights tested for 30 seconds during the month of Feb and June 2014.		(Completed)	
4-06(2)(a)10i	There no documentation found for fire drills conducted in February 2014		((Completed))	
5-05(12)	Dry food items not in sealed containers.		PM to in-service on the proper storage of dry food goods.	3-1-15
2-16	DIDD License not posted in public area.		PM to post DIDD license in designated area.	3-1-15
4-06(2)(a)	There was no documentation of emergency lights tested for 30 seconds during the month of November 2014		((Completed))	
4-03(2)(a)(1)i	There was no documentation of fire drills conducted during the month of November 2014		((Completed))	3-1-15
5-02(1)	Shelf over toilet tank is loose in Bathroom #1.		Maintenance, tighten shelves over toilet Bathroom #1	3-1-15
5-02(2)	Tiles broken in floor of Bathroom #2		Maintenance, repair broken tile	3-1-15
2-16	DIDD License not posted in public area.		PM to post DIDD license in designated area.	3-1-15

SIGNATURE OF DIDD REVIEWER OF P.O.C.: <i>Don R. B. [Signature]</i>	DATE OF REVIEW: 2-18-15	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: <i>[Signature]</i>	DATE OF SIGNATURE 3/9/15
---	----------------------------	--	-----------------------------

P.O.C. Review Codes (See Review & Approval Status Form For Explanations) A = Approved.

AE = Approved With Exception RR = Rejected - Requiring RS = Rejected - Sanction

Reference Rule Number	Summary Of The Findings Of Non-Compliance With The Rule (If Applicable)	P.O.C. Review Code	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-.06(2)(a)10i	10539 Hwy 58- There was no documentation found of emergency lights tested for 30 seconds during the month of March 2014		(Completed) Maintenance, to repair structural damage to living room walls and closet	3-1-15
5-.02(2)	9253 Snow Hill Rd.- There was no documentation found of emergency lights being tested for 30 seconds during the months of Sept, Oct, and Dec 2014		(Completed)	
4-.03(2)(a)(1)i	There was no documentation of fire drills conducted in Sept, Oct, and Dec 2014		(Completed)	
5-.02(2)	Bathroom #3 needs base board installed by tub.		Maintenance, install base board	3-1-15
5-.02(2)	Bathroom #1 floor tile is broken.		Maintenance, repair broken floor tile bathroom #1	3-1-15
5-.05(12)	Dry food items not stored in sealed container.		PM to in-service on the proper storage of dry food goods.	3-1-15
2-.16	DIDD license not posted in public area.		PM to post DIDD license in designated area.	3-1-15

SIGNATURE OF DIDD REVIEWER OF P.O.C.:

DATE OF REVIEW:

SIGNATURE OF LICENSEE OR AUTHORIZED AGENT:

DATE OF SIGNATURE

P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.)

A = Approved.

AE = Approved With Exception.

RR = Rejected-Resubmit.

RS = Rejected-Sanction.

New R. B. B. B.

2-18-15

S. B. B. B. B.

2/9/15

Reference Rule Number	Summary of the Findings of the Inspection	P.O.C. Referral Code	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-.06(2)(a)(10)i	9255 Snow Hill Rd.- There was no documentation found of fire drills being conducted during the months of Sept and Oct 2014		(Completed)	
5-.02(2)	There was extensive damage to the living room walls and louver closet doors due to wheel chairs.		Maintenance, repair structural damage to walls and closet	3-1-15
5-.05(12)	Mold in Bath room #2		PM to in-service on daily decontamination. Mold removed.	3-1-15
	Dry food not in sealed containers.		PM to in-service on the proper storage of dry food goods.	3-1-15
4.06(2)(a)	11419 HWY 58- There was no documentation found of emergency lights tested for 30 seconds during the months of Feb, July, and Aug 2014		(Completed)	
5-.02(2)	There was extensive damage to the living room walls and louver doors due to wheel chairs.		Maintenance, repair structural damage to walls and closet.	3-1-15
5-.05(12)	Dry food items not in sealed containers.		PM to in-service on the proper storage of dry food goods.	3-1-15
SIGNATURE OF DIDD REVIEWER OF P.O.C.:		DATE OF REVIEW:	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT:	
<i>Wesley A. Bell</i>		2/14/15	<i>Wesley A. Bell</i>	
P.O.C. Review Codes (See Review & Approval Status Form For Explanations.)		A = Approved.	AE = Approved With Exception. RR = Rejected-Resubmit. RS = Rejected-Sanction.	
			DATE OF SIGNATURE: 2/14/15	

Reference Rule Number	Summary Of The Findings Of Non-Compliance With The Rules Regulations	P.O.C. Review Code ¹	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-06(2)(a)	11421 Hwy 58 - There was no documentation of emergency lights tested for 30 seconds during the months of July and Dec 2014		PM to in-service on checking the emergency lights monthly during completion of the monthly Fire Drill	3-1-15
4-06(2)(a)(10)i	There was no documentation found of fire drills conducted during the months of July and Dec 2014		PM to in-service on the timely completion of monthly Fire drill.	3-1-15
5-02(2)	There was mold in shower area and broken floor tiles in first bath room on the right.		PM to in-service on daily decontamination. Mold removed. Maintenance, to repair broken floor tile	3-1-15
5-02(12)	Emergency numbers not posted.		PM, to post all emergency contact numbers	3-1-15

SIGNATURE OF DIDD REVIEWER OF P.O.C.:	DATE OF REVIEW:
<i>Tim A. Bell</i>	2/18/15

SIGNATURE OF LICENSEE OR AUTHORIZED AGENT:	DATE OF SIGNATURE
<i>Lisa Hmg</i>	2/9/15

*P.O.C. Review Codes: (See Review & Approval Status Form For Explanations.)

A = Approved.

AE = Approved With Exception.

RR = Rejected-Resumit

RS = Rejected-Sanction.



**STATE OF TENNESSEE
DEPARTMENT OF INTELLECTUAL AND DEVELOPMENTAL
DISABILITIES**

**East Tennessee Regional Office of Licensure and Review
Greene Valley Developmental Center, Hawthorn Building
PO Box 910**

Greeneville, Tennessee 37744-0910

April 29, 2015

Ms. Lisa King
Open Arms Care Corporation
PO Box 929
Ooltewah, TN 37363

Dear Ms. King:

A licensure re-inspection survey of Open Arms Care Corporation- Ooltewah was conducted on April 21, 2015 in order to revisit the findings cited during your agency's unannounced licensure survey (completed January 26, 2015) that specifically pertained to the testing of emergency lights for 30 seconds at the sites of 6711 Mountain View Road and Ooltewah Ringgold Road.

This re-inspection survey revealed evidence that your Plan of Compliance for this area are in place and are being followed. Therefore, approval status given your plan is: **Approved**. This approval status is noted on your plan of compliance. A copy of your plan of compliance is enclosed.

If you have any questions, please contact me by phone at (423) 787-6553 or by email at Elaine.C.Matthews@tn.gov

Sincerely,

Elaine Matthews
Lead Licensure Coordinator
Department of Intellectual and Developmental Disabilities

Re-inspection: 4/21/15

LICENSE NOTICE OF NON-COMPLIANCE AND PLAN OF COMPLIANCE FORM STATE OF TENNESSEE DEPARTMENT OF DEVELOPMENTAL DISABILITIES		DATE OF NOTICE: 1/30/2015	NOTICE OF NON-COMPLIANCE TO: (Licensee's Name & Address) Open Arms Care Corp. Mountain View 6711 Mountain View Rd, Suite 111 Ooltewah, TN 37363	
NAME AND ADDRESS OF DIDD LICENSEE OFFICE SENDING NOTICE: East Tennessee office of Licensure and Review Greene Valley Developmental Center, Hawthorne Building PO Box 910 Greenville, TN 37744-0910		PAGE 1 OF 1 PAGE(S)	EVENT AND DATE RESULTING IN THIS NOTICE: License Survey completed: 1/26/2015	NAME AND LOCATION OF FACILITY IN NON-COMPLIANCE: All Ooltewah Open Arms Sites
NOTICE TO LICENSEE: Your facility has been found to be in non-compliance with the rule(s) listed on this form. You must provide a plan for complying with each rule cited in non-compliance. Type or print your plan(s) in the space provided on this form. Include the date by which you will be in compliance with each rule cited. Sign and date each page of the form. Return this form by the indicated date to the address of the DIDD Office of Licensure listed above.			YOUR PLAN OF COMPLIANCE MUST BE RETURNED NO LATER THAN: 2/9/2015	

Reference Rule Number	P.O.C. Review Code*	DESCRIBE BELOW YOUR PLAN FOR COMPLYING WITH EACH RULE IN NON-COMPLIANCE	YOUR PLANNED DATE OF COMPLETION
4-03(2)(a)	AE A	6711 Mountain view road site - There was no documentation found of emergency lights tested for 30 seconds during the months of Jan, Feb, Mar, April, May, June, July, Aug, Sept, and Dec 2014. "REPEAT FINDING"	3-1-15
4-03(2)(a)(i)	F	There was no documentation found of fire drills conducted during the months of December 2014.	(Completed)
4-03(2)(a)	AE A	Ooltewah Ringgold Road Site - There was no documentation of the emergency lights tested for 30 seconds during the months of Feb, Mar, April, May, June, July, Aug, and Sept, 2014" REPEAT FINDING"	3-1-15

SIGNATURE OF DIDD REVIEWER OF P.O.C. <i>[Signature]</i>	DATE OF REVIEW: 2-18-15	SIGNATURE OF LICENSEE OR AUTHORIZED AGENT: <i>[Signature]</i>	DATE OF SIGNATURE: 2/9/15
--	----------------------------	--	------------------------------

*P.O.C. Review Codes (See Review & Approval Status Form For Explanations):
 AE=Approved With Exception RS=Rejected-Sanction
 F=Approved RE=Rejected-Resubmit

Elm Meadows

Affidavit

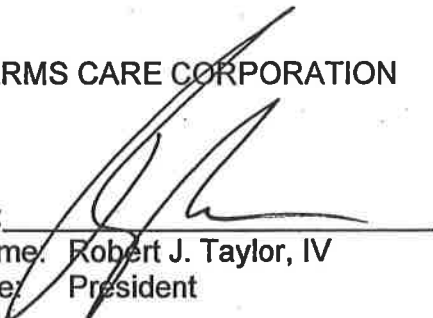
AFFIDAVIT

STATE OF GEORGIA

COUNTY OF FULTON

Robert J. Taylor, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

OPEN ARMS CARE CORPORATION

By: 
 Name: Robert J. Taylor, IV
 Title: President

Sworn to and subscribed before me, a Notary Public, this the 10 day of November, 2015, witness my hand at office in the County of Fulton, State of Georgia.


 NOTARY PUBLIC

My commission expires July 30, 2017.



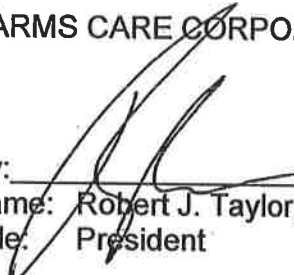
AFFIDAVIT

STATE OF GEORGIA

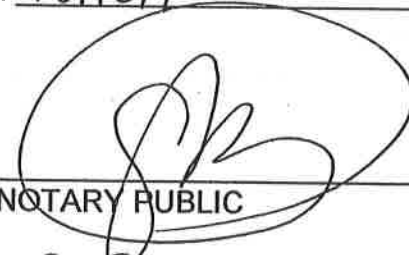
COUNTY OF FULTON

Robert J. Taylor, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

OPEN ARMS CARE CORPORATION

By: 
Name: Robert J. Taylor, IV
Title: President

Sworn to and subscribed before me, a Notary Public, this the 10 day of November, 2015, witness my hand at office in the County of Fulton, State of Georgia.


NOTARY PUBLIC

My commission expires July 30, 2017.



SUPPLEMENTAL #1

November 20, 2015**3:30 pm****State of Tennessee****Health Services and Development Agency**Andrew Jackson Building, 9th Floor, 502 Deaderick Street,
Nashville, TN 37243**www.tn.gov/hsda** Phone: 615-741-2364/Fax:615/532-9940

November 20, 2015

Michael D. Brent

Attorney

Bradley Arant Boult Cummings, LLP

1600 Division Street, Suite 700

Nashville, Tennessee 37203

1RE: Certificate of Need Application CN1511-051

Open Arms Corporation d/b/a Hamilton County # 2 Gamble Road (Southwest)

Dear Mr. Brent:

This will acknowledge our November 10, 2015 receipt of your application for a Certificate of Need for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on an unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel (Parcel 061 045) currently being addressed as 7817 Gamble Road in Georgetown (Hamilton County), Tennessee 37336, approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m., Monday, November 23, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 4

On page 11 in the response to Section A, Item 4, the statement is made in the last sentence that "The laws of some states allow a simpler process whereby a non-profit corporation can change its domicile from one state to another....."

Did you mean to say non-nonprofit or nonprofit? Please clarify.

Response: Please see replacement page 11, R-11, in Supplemental Attachment - Replacement Pages.

Please resubmit the list of Open Arms facilities in Tennessee identifying each facility's license type and the number of beds licensed for each facility.

Response: Please see Supplemental Attachment - Revised Attachment A.4 for a revised list.

2. Section A, Applicant Profile, Item 5

The name of the management entity and copy of draft agreement is noted. It appears Exhibit A containing the Facility Annual Budget is missing from the document. Please clarify.

Response: The facility's annual budget will be similar to the projected data chart provided, as expenses—and therefore the facility's budget—will match revenue due to TennCare's reimbursement model, which the Applicant addresses further below.

Please document Integra Resources, LLC registration with the Tennessee Secretary of State's Office.

Response: Please see Supplemental Attachment - Integra Resources, LLC Articles of Organization.

Will the manager also manage the "southeast quadrant #1" four person residential home proposed in its CON application, CN1511-053 that appears to be adjacent to this proposed facility on the 15.5 acre parcel? If so, please briefly describe the benefits of same such as shared staffing, economies of scale, etc.

Response: Yes. Pairing ICF/IID homes is a fairly standard practice utilized by both public and private ICF/IIDs in the state. Benefits of the Applicant's facilities sharing a management company range from the Applicant's ability to obtain better rates on lawn care to increased efficiency due to the Applicant's ability to conduct joint internal visits and audits for both facilities, as opposed to having to make arrangements for two different locations.

Do Open Arms and Integra currently contract for the management of the Open Arms facilities in Tennessee identified in attachment A.4? Please clarify by providing some additional background information about the relationship between the parties.

Response: Integra currently manages, and has managed since April, 2015, all of the Open Arms facilities identified in Attachment A.4. As noted below, the only relationship between Open Arms and Integra is contractual.

Information for Attachment A.5.2 was omitted from the application (Integra Principals). Please submit same. Do Jeff Mastreolo, Joseph Torrence, Richard Brown, and/or George Stevens have an ownership interest in Open Arms Corporation?

Response: Open Arms is a nonprofit corporation with no owners or members, and is governed by a 5 person board of directors consisting of Robert Taylor (Chair),

Douglas B. Kline, Jane Buffaloe, Mary Ellis Richardson, and Sandy Wybel. Therefore, neither Jeff Mastreolo, Joseph Torrence, Richard Brown, or George Stevens, nor their company, Integra Resources, LLC ("Integra") have ownership interests in, or governance positions regarding, Open Arms. As noted above, there is an existing contractual relationship between Open Arms and Integra, as Integra manages all of the Open Arms facilities identified in attachment A.4. Please see Supplemental Attachment – Replacement Attachment A.5.2 for information regarding the Integra owners.

It appears that an amount for the management fee (monthly and/or annual fee) and the term of the proposed contract are missing from the copy of the draft management contract in Attachment A.5.1. Please clarify.

Response: Please see Supplemental Attachment - Replacement Attachment A.5.1 for a revised copy of the draft management contract, which includes the management fee and term of the proposed contract.

3. Section A, Applicant Profile, Item 6

Your response to this item is noted. Based on the documentation provided in Attachment A.6, the legal interest in the site involved in Phases II and III of the development project, including acquisition of the 15.5 acre parcel by Facilities Development Group (FDG) from the land owner and acquisition of the land with residential home by Woodbine Community Organization (WCO) from FDG, is not supported or documented in the application. Further, a fully executed Option to Lease document between the applicant and WCO was not provided. As a result, the applicant's legal interest in the site is not supported by the information presented an/or omitted from the application. Please provide the following documentation:

Acquisition of Land and Development of House by FDG (Phase II in diagram)

- Copy of the title or warranty deed to the land, with description, for the site of the proposed project from the current owner and seller of the existing Gamble Road 15.5 acre property.
- A fully executed purchase agreement or option to purchase agreement between FDG and the current owner/seller of the land at the site for the proposed project. *Please note that if an option to purchase agreement applies to the project, the agreement must be in effect on the expected date of the hearing of the application by the HSDA Board members.*
- Copies of Exhibits A and B omitted from the Development Agreement document in Attachment A.6 of the application.

Response: Please see Supplemental Attachment - Phase 2 Documentation: Deed and Purchase Agreement for copies of the deed of the current owner and the signed purchase contract between the current owner and FDG. Please also see Supplemental Attachment – Replacement Attachment A.6 for a fully executed copy of the Development Agreement, including Exhibits A and B, and a fully executed copy of the Option to Lease (both previously attached as Attachment A.6). Pursuant to these documents, including Section 2 of the Development Agreement, FDG is contractually obligated to acquire the land, develop and construct the building on the

land, and then transfer the completed facility to WCO AL DP ("WCO") as a "turn-key" completed facility. WCO will then lease the completed facility to Open Arms pursuant to the lease agreement referenced in the Option to Lease.

Turnkey Transaction (Phase III in diagram)

- A fully executed purchase agreement or option to purchase agreement between FDG and WCO.

Please note that if an option to purchase agreement applies to the project, the agreement must be in effect on the expected date of the hearing of the application by the HSDA Board members.

Response: In lieu of a purchase agreement or option to purchase, please see Supplemental Attachment – Replacement Attachment A.6 for a fully executed copy of the Development Agreement (previously attached as Attachment A.6), including Exhibits A and B. Pursuant to Section 2 of the Development Agreement, FDG is contractually obligated to acquire the land, develop and construct the building on the land, and then transfer the completed facility to WCO as a "turn-key" completed facility.

Final Ownership of Assets and Operations (Phase IV in diagram)

- Documentation that WCO has the funds to purchase the land and building from FDG for the proposed project.
- A fully executed lease agreement or option to lease agreement between WCO and Open Arms Care Corporation (OACC) that includes the expected monthly lease expense and the expected term of the lease such as the \$1,327,500 total 15-year lease cost identified on page 30 of the application. *Please note that if an option to lease agreement applies to the project, the agreement must be in effect on the date of the hearing of the application by the HSDA Board members.*

Response: Please see Supplemental Attachment – Replacement Attachment C. Economic Feasibility - 2 for the revised letter from Servis 1st Bank. Servis 1st Bank will provide a construction loan to FDG for development and construction of the facility, which funding will then convert to a permanent loan, which FDG (through an affiliate) will loan to WCO. The permanent loan financing to WCO will be sufficient for WCO to purchase the completed facility from FDG. Please see Supplemental Attachment – Replacement Attachment A.6 for a fully executed copy of the Option to Lease, which includes the expected monthly lease expense and the expected term of the lease.

4. Section A. (Applicant Profile) Item 13

The response is noted. Given the applicant's current provider status for approximately 30 sites in Tennessee, it is unclear why one (1) TennCare provider number would not be used across all residential sites. Please clarify.

Response: Since the late 1980's, each of the Applicant's operational sites have utilized unique TennCare provider numbers, and, based on discussions with TennCare, the Applicant intends to follow the same procedure for all new sites.

With scattered site providers such as the Applicant and other ICF/IID providers, the TennCare provider number is site-specific, as opposed to provider-specific.

Are Amerigroup, TennCare Select, and BlueSelect the only TennCare MCOs in the applicant's proposed service area? If yes, please confirm. If no, please identify the other TennCare MCOs available in the service area and explain why the applicant does not intend to establish a contractual relationship with these MCOs.

Response: Amerigroup, TennCare Select, BlueSelect, and UnitedHealthcare Community Plan are the only TennCare MCOs in the Applicant's proposed service area. There are no provider agreements in ICF/IID programs, as providers contract directly with TennCare, which reimburses them directly. Individual residents, however, will receive medical coverage for other services through TennCare MCOs due to contractual relationships between each resident and their respective TennCare MCO.

Prior to opening, when is the earliest the applicant can formally apply to the TennCare MCOs and the estimated amount of time it will take to establish a contractual arrangement for the care of the future residents? Has the length of time been taken into account in the development schedule of the application identifying November 2016 as the initiation of services? Please discuss.

Response: As noted above, the Applicant will not contract with TennCare MCOs, but with TennCare itself, as the ICF/IID program is a "carve-out" from the managed care program. For the past several months, TennCare, DIDD, and various providers (including the Applicant) who are seeking Certificates of Need for facilities for individuals who will be leaving Greene Valley Development Center (GVDC) when it closes have held periodic meetings to address the issues surrounding the construction of new facilities and the licensure and certification of those facilities. While the Applicant understands TennCare will not formally review an application until DIDD licenses the completed facility, following satisfactory completion of inspection of the facility, the applicant has received assurances from representatives of both TennCare and DIDD that the agencies will work together to assist the Applicant in obtaining inspection, licensure, and certification on a timely basis. The anticipated length of time for the inspection, licensure, and certification process has been taken into account when preparing the development schedule.

5. Section B, Project Description, Item I.

What State of Tennessee agency is responsible for the Home and Community-Based Services (HCBS) Waiver programs?

What State agency is contracted to operate the HCBS waiver programs?

Response: TennCare, specifically its Division of Long-Term Services & Supports, is responsible for the Home and Community-Based Services ("HCBS") Waiver

programs. TennCare contracted the Department of Intellectual and Developmental Disabilities to operate the HCBS Waiver programs.

Please provide an overview of the role of the Bureau of TennCare, TennCare Contracted Managed Care Companies (MCOs), and the Department of Intellectual and Developmental Disabilities in the administration of HCBS waiver programs and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs).

Response: TennCare's Division of Long-Term Services & Supports is responsible for the HCBS Waiver programs. TennCare contracted DIDD to oversee and operate the HCBS Waiver programs. DIDD surveys and inspects ICF/IID providers to ensure compliance with DIDD licensure requirements and quality measures and administrates the licensure of providers, among other duties. With the exception of coordinating the TennCare benefits of ICF/IID residents HCBS waiver recipients, TennCare MCOs are not involved in the administration of HCBS waiver programs and ICF/IIDs. Instead, TennCare contracts directly with the providers and reimburses them for their services.

What is the difference between long-term care services provide through an intermediate care facility for individuals with intellectual disabilities (ICF/IID) and services provided through a home and community-based setting?

Response: Long-term care services provided through ICF/IIDs are comprehensive, consisting of one provider furnishing or arranging for the provision of housing and services such as nursing, clinical therapy, and dietetic and behavioral services. Although HCBS waiver services are not provided in the same type of setting, recipients receive the same services as ICF/IID residents. HCBS Waiver recipients also have more flexibility, as they can receive services from different providers and may choose to do so in different settings, such as a home with other waiver recipients or a family member or conservator's home.

Please discuss in detail the activities of a typical day for a resident of an ICF/IID home, including all clinical, personal care, day center and other tailored program activities that may apply.

Response: a typical day for a resident of an ICF/IID home begins with personal hygiene activities and breakfast, followed by programming such as habilitation and active treatment (physical therapy, vocational therapy, socialization, etc.), sometimes at a day center if prescribed in the resident's ISP. A resident's acuity level determines whether or not required physical therapy or occupational therapy takes place in the facility or in a different location.

The applicant has stated that the Greene Valley Development Center (GVDC) is scheduled to close on June 30, 2016. In the Project Completion Forecast Chart the applicant has indicated that the home will be ready to initiate services in November 2016. If GVDC closes on June 30, 2016, where will the four individuals expected to transfer to this home reside in the interim? Additionally, will the interim arrangements cover any unforeseen delays in

permitting and opening of the facility or are the arrangements for interim care of the individuals time sensitive? Please clarify.

Response: As noted in the Application, pursuant to the Exit Plan and Approved Order, the June 30, 2016, closing date can be extended to as late as June 30, 2017. During various meetings with representatives of DIDD, the Applicant has been informed that the November 2016 anticipated date is acceptable pursuant to the extension provisions of the Order.

6. Section B. (Plot Plan)

Your response is noted. Please resubmit the plot plan (s) showing the size of each site, in acres, for the 2 proposed homes (Sites 1 and 2) and the acreage of the entire parcel. Please also relabel the names in larger/bold font of the roads and TN State Highway 58 such that the identification of same in the plot plan is more legible.

How is the 15.5 acre parcel presently zoned? Is it located in a Flood Plain? Please describe the process to be followed that may apply to rezoning the site for its use as an ICF/IID residential home in the manner described in the application.

Response: The site is 1.5 acres and is presently zoned "A-1" for residential and agricultural use. Please note that TCA §13-24-102 provides that, for the purposes of all zoning laws in Tennessee, a "single-family residence" includes any home in which eight or fewer unrelated persons with disabilities reside. Therefore, the facility's proposed location does not need to be rezoned. The parcel is in an area of minimal flood hazard according to the interactive map for the location¹. Please see Supplemental Attachment – Replacement Attachment B.III.A for revised plot plans.

Please describe the site development of the property pertaining to the proposed residential homes access to gas, electric, water and sewage.

Response: There is an existing house on the property receiving these utilities, so the Applicant does not anticipate extensive modifications to afford both homes' access.

The plot plan with structures labeled as "1" and "2" appear to share the use of a common driveway that has access to Gamble Road. Will this be paved or concreted to permit wheelchair access? Additionally, are easements required for each residential home to have access to Gamble Road? Please clarify.

Response: All sidewalks and driveways will be a hard, paved surface that will permit wheelchair access. An easement will not be required for access to East Church Street, as the both properties will have the same owner.

Tennessee Code Annotated 33-2-418 (a) indicates that "The department shall not license more than two (2) such residential facilities within five hundred yards (500 yds.) in any direction from other such facilities housing persons served. All set-back requirements applicable to lots where such facilities are located shall

¹ Available at

<https://msc.fema.gov/portal/search?AddressQuery=7817%20Gamble%20Road%2C%20Georgetown%2C%20Tennessee>

apply to such residential facilities.” In this project, it appears that the 2 facilities are across the driveway from one another and may not be in compliance with the setback requirements in state statute. Please explain how the proposed residential facility will comply with this requirement.

Response: The proposed project meets the distance requirement. The nearest licensed ICF/IID is 0.6 mile away. Please also see Supplemental Attachment – Service Area ICF/IID Facilities for a table showing the distance from the proposed location to other Hamilton County ICF/IIDs. As long as the facilities are the only facilities within 500 yards of each other, which they are, the facilities are in compliance with the 500 yard requirement.

7. Section B. (Floor Plan)

The floor plan of the 2,800 proposed square foot residential facility identifies a living/sitting area and a pantry, however, it does not specify a kitchen or dining area. Please submit a revised floor plan that identifies these areas.

Response: The living/sitting room of the facility will also serve as a dining space. Please see Supplemental Attachment - Revised Floor Plan for a floor plan denoting the location of the kitchen.

Where will a resident receive the physical, occupational, and behavioral therapy services identified in the project description?

Response: A resident's acuity level determines whether or not required physical therapy or occupational therapy will take place in the facility or in a different location, such as a local physical therapy clinic. If a local physical therapy clinic is a better choice for a particular resident, the applicant will transport such resident to therapy sessions at such clinic.

**8. Section C. (Need) Item 1 (Service Specific Criteria-ICF/DD Facilities)
Need A.1**

It is noted the applicant states the project does not involve the development of new ICF/IID beds. However, the 4 beds proposed to this application are subject to the 160 bed pool per year per T.C.A. §71-5-105 (b) for new ICF/IID beds, of which 84 beds currently remain. Please confirm that approval of the application will be subject, in part, to availability of beds from the 160 bed pool.

Response: As a private ICF/IID service provider, approval of the Applicant's application will be subject to the availability of beds from the 160 bed pool, 84 of which remain available.

**9. Section C. (Need) Item 1 (Service Specific Criteria-ICF/DD Facilities)
Need A.4, Section C. Economic Feasibility 7 and 9.**

On page 33, the applicant states that 100% of the proposed facility's operating revenue will come from TennCare although the comments on page 32 reflect that

that approximately 96% of the revenue will come from TennCare and 4% from SSI benefits. Please clarify.

Response: Please see Supplemental Attachment - Replacement Pages for R-33, a replacement page addressing this discrepancy.

10. Section C. (Need) Item 1 (Specific Criteria- ICF/IID Facilities)

Tennessee Code Annotated Title 33; Title 68, Chapter 11 and Section 71-5-105(b)(2) states "Only providers that have been providing services to persons with developmental disabilities under contract with the state for at least five (5) years shall be eligible to apply for these new beds." Please describe the services and the number of years which the applicant has provided each service through contract(s) with the state of Tennessee to persons with developmental disabilities.

Response: In 1988 founding board members of Open Arms identified the need to build community facilities for individuals who were moving out of large, state-run institutions for individuals with intellectual and developmental disabilities in the state of Tennessee. Certificate of Need applications were submitted and approved and Open Arms Care (then known as Rebound Care Corporation) began offering services once it was approved for 256 beds across the state of Tennessee. (Source: <http://openarmscare.org/our-history>.)

11. Section C (Need) Relationship to Existing Similar Services in the Area (Specific Criteria- ICF/IID Facilities, Item D.1)

Based on the list of the applicant's facilities in Attachment A.4, it appears that the applicant operates 10 ICF/IID homes in Hamilton County in lieu of the 8 homes with 64 beds shown in information provided on pages 23 & 24. Please clarify.

Response: Please refer to Supplemental Attachment – Revised Attachment A.4. Two of the Hamilton County locations are day treatment centers with no licensed beds.

Additionally, the number of homes operated by Orange Grove is 18 homes in the table on page 24 in lieu of the 16 homes in the comments on page 23. Please clarify.

Response: Please see R-23 in Supplemental Attachment – Replacement Pages.

Review of the DIDD website on 11/16/2015, revealed that Orange Grove, Inc. was the only active licensee in Hamilton County with capacity for 150 individuals in 24 homes. Please explain the discrepancy with the list of Orange Grove facilities shown in the table on pages 23 and 24. If in error, please revise the information and resubmit the pages labeled as 23-R and 24-R.

Response: ICF/IID homes are listed as "Institutional Habilitation – MR" licenses on DIDD's website, thus the Applicant limited its utilization information to applicable facilities. A search under that category on 11/20/2015 revealed that Orange Grove, Inc. and the Applicant are both active licensees in Hamilton County.

Please identify the mileage to other existing licensed ICF/IID residential sites within a 10 mile radius of the proposed facility.

Response: Please see Supplemental Attachment – Service Area ICF/IID Facilities for a table showing the distance from the proposed location to other Hamilton County ICF/IIDs.

The separate grid showing ICF/IID utilization noted in Terry Jordan-Henley's memo was not included. Please provide a copy of this grid.

Response: The grid noted in Terry Jordan-Henley's memo was sent to the Applicant electronically and then used by the Applicant to generate the "ICF/IID Utilization, Hamilton County" chart on page 24 and 25 of the original application, noting the November 4, 2015 Terry Jordan-Henley memo as its source.

12. Section C, Need, Item 3 (Service Area Map)

Please resubmit the map with the county clearly outlined in bold print to identify the service area of the project.

Response: Please see Supplemental Attachment – Revised Service Area Map for a map with more distinctive highlighting.

13. Section C, Economic Feasibility, Item 1. (Project Cost Chart)

The Project Cost Chart on page 29 is missing all costs related to the project, such as the costs related to the applicant's lease of the residential home identified on page 30 of the application. Please resubmit a fully completed chart on a replacement page labeled 29-R. *Please note that the facility costs provided in the Project Cost Chart must be consistent with the lease expenses identified in the fully executed option to lease or lease agreement requested above and the rent payments budgeted in the Projected Data Chart for the project.*

Response: Please see Supplemental Attachment – Revised Project Cost Chart.

Please provide a revised letter from the architect that addresses all the following:

- 1) a general description of the project, including size of facility
- 2) his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and
- 3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications, ADA, and licensing agencies' requirements including the newest AIA Guidelines for Design and Construction of Hospital and Health Care Facilities

Response: Please see Supplemental Attachment – Replacement Attachment C. Economic Feasibility – 1 for a revised letter from the architect.

14. Section C. (Economic Feasibility) Item 2 (Funding)

The letter from Servis 1st Bank pertaining to a commercial loan up to \$8 million to support the construction and financing of 9 residential homes is noted; however, it does not include expected interest rates and does not specifically identify restrictions and conditions. Please provide a revised letter from the bank or addendum that addresses these items.

In your response, please also identify the approximate amount imbedded in the proposed \$8 million commercial loan that is needed to finance the construction of this proposed facility.

Additionally, several items noted in Question 3 pertaining to the applicant's legal interest in the site still need to be addressed and are listed below for reference purposes:

- A fully executed purchase agreement or option to purchase agreement between Facilities Development group, LLC (FDG) and the owner of the property for the proposed project. If an option to purchase agreement, it must be in effect until at least the expected date that the CON application will be heard by HSDA.
- A fully executed purchase agreement or option to purchase agreement between FDG and Woodbine Community Organization (WCO) AL DP.
- Documentation that WCO has the funds to purchase the land and building from FDG for the proposed project.
- A fully executed lease agreement or option to lease agreement between WCO and Open Arms Care Corporation (OACC) that includes the expected monthly lease expense and the expected term of the lease. If an option to lease agreement, it must be in effect until at least the expected date that the CON application will be heard by HSDA.

Response: Please see Supplemental Attachment – Replacement Attachment C. Economic Feasibility - 2 for revised letter from Servis 1st Bank addressing the funding of the project. Additional documentation requests were addressed in the preceding questions (see Supplemental Attachment - Phase 2 Documentation: Deed and Purchase Agreement for copies of the deed of the current owner and the signed purchase contract between the current owner and FDG and Supplemental Attachment – Replacement Attachment A.6 for a fully executed copy of the Development Agreement, including Exhibits A and B, and a fully executed copy of the Option to Lease (both previously attached as Attachment A.6)).

15. Section C. (Economic Feasibility) Item 3

Please compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The cost per square foot of construction for the Applicant's proposed facility is \$231.25, compared with a range of \$92 to \$140 per square foot in 4-bed ICF/IID facilities constructed in 2008. The Applicant's total cost per square foot reflects both the increase in costs of construction labor and materials and changes in design and amenities of such facilities over the past seven years, and the Applicant believes the amount to be reasonable in the present market. Please see Supplemental Attachment – Attachment C. Economic Feasibility – 3 for a chart of the cost per

square foot of construction of this project and similar projects previously approved by the Health Services and Development Agency.

16. Section C. (Economic Feasibility) Item 4 (Projected Data Chart)

The Projected Data Chart (PDC) is noted.

The Projected Data Chart shows no Provision for Charity Care, Bad Debt, or Contractual Allowances. As a result, is Net Operating Revenue and Income overstated? Please explain.

Response: No bad debt is expected, as the Applicant will be reimbursed by TennCare for 96% of its expenses, with the remaining 4% anticipated to come from residents' SSI income as stated in the application. Similarly, as this project is for residents transitioning from GVDC and known to be TennCare recipients, the Applicant does not anticipate providing any charity care.

It appears that no cost was budgeted for Line D.3 (Supplies) in the PDC, including the food costs for the 4 resident's dietary meals. Please clarify.

Response: Residents' dietary meals are accounted for in the Projected Data Chart's "Other Expenses" line item at D.9 and are included in the "Programming Expenses" category if one refers to the itemization of that line item.

As noted, the projected lease cost and term was not identified in the unsigned lease document provided in Attachment A.6. Please show the methodology used to determine the rent cost in Line D.6 of the PDC with supporting documentation of same in a fully executed lease or option to lease agreement.

Response: A fully executed Option to Lease is attached (see Supplemental Attachment – Replacement Attachment A.6), with a term of 15 years at an annual rent not to exceed \$88,500, or a total of \$1,327,500, which is the amount shown on line D.6 of the Projected Data Chart.

Please explain why a break-even scenario was utilized such that there is no net operating income in either Year 1 or Year 2 of the project. Shouldn't there be plans for some net operating income to reinvest for the upkeep of the home?

Response: The Applicant's reimbursement from TennCare will be based on its expenses such that its funding will be equal to its expenses. Therefore, there will be no surplus revenue. Further, the Applicant's lease payments are structured to allow the Landlord to fulfill its responsibility to maintain the building, so the Applicant will not be responsible for repairs and upkeep of the facility beyond the usual tenant duties such as lawn care and cleaning.

Please make the necessary corrections and submit a revised Projected Data Chart.

Response: Please see Supplemental Attachment-Revised Projected Data Chart.

17. Section C. (Economic Feasibility) Item 5

In comparison to the Projected Data Chart, the average gross revenue per patient per day (PPD) amounts to \$687.95/PPD in Year 1 and \$701.71/PPD in Year 2. There are 2 amounts noted by the applicant in this response - \$687.95 on page 31 and \$793.04 in the table on page 32. Please clarify.

In your response, please confirm that the average gross charge is based on a per patient per day (PPD) charge.

Response: The \$687.95 is a per patient day charge. Please see R-32 in Supplemental Attachment - Replacement Pages for a revised page 32.

18. Section C. (Economic Feasibility) Item 6.B

Please explain how the economics of the operations of the new four bed home will be considerably different from the operations of existing homes.

Response: The existing homes are larger, with 8 beds instead of 4, so some "economies of scale" are not as large for a home with 4 beds/residents as with a home with 8 beds/residents. This applies to a variety of items ranging from expenses for supplies to staffing ratios. Additionally, the applicant believes there may be higher acuity levels for some residents in some of the 4 bed homes, as compared to 8 bed homes, which will also impact costs of operations.

19. Section C (Contribution to Orderly Development) Item 3. (Current & Anticipated Staffing)

What are the prevailing wages for a resident manager, qualified MR professional, physical therapist, occupational therapist, and speech therapist and what is the expected salary that the applicant expects to pay for these positions?

Response: The Applicant plans to engage independent contractors for physical, occupational, and speech therapy according to the needs of each individual resident. Please see R-35 in Supplemental Attachment - Replacement Pages for updated staffing salary information.

Other than the registered nurses and licensed practical nurses shown separately in the table, what other types of positions are included in the separate category for "Direct Support Staff". Please clarify. In your response, please also identify the minimum staff to resident ratio required for this type of service by DIDD.

Response: The minimum staff to resident ratio required by DIDD for ICF/IID services is 1 staff to 4 residents for individuals suffering moderately from intellectual disabilities, or 1 staff to 3.2 residents if the resident population has severe intellectual

and/or physical disabilities. The positions included in the "Direct Support Staff" category represents the facility's Direct Support Professionals.

20. Proof of Publication

Please submit a copy of the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

Response: Please see Supplemental Attachment - Proof of Publication.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application, the sixtieth (60th) day after written Notification is January 18, 2016. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of

Mr. Michael Brent
November 20, 2015
Page 15

148

SUPPLEMENTAL #1

November 20, 2015

3:30 pm

need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Jeff Grimm
HSD Examiner

Enclosure

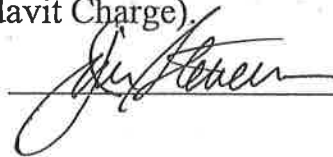
Supplemental Attachment – Proof of Publication

STATE OF TENNESSEE HAMILTON COUNTY

Before me personally appeared Jim Stevens who being duly sworn, that he is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper and on the website on the following dates, to-wit:

November 6, 2015

And that there is due or has been paid the "CHATTANOOGA TIMES FREE PRESS" for publication of such notice the sum of \$239.32 Dollars. (Includes \$10.00 Affidavit Charge).



Sworn to and subscribed before me, this 9th day of November, 2015.



My Commission Expires 10/17/2018

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the establishment of a four-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), to be managed by Integra Resources, LLC, a Tennessee limited liability company. The facility will be located on a lot which does not currently have a separate street address, such lot to be approximately 1.5 acres in the southwest quadrant of a parcel of land which is approximately 15.5 acres, the entire 15.5 acres currently being addressed as 7817 Gamble Road, Georgetown (Hamilton County), Tennessee 37336, which is located approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58, and also described as Parcel 061 045 in the records of the Hamilton County Tax Assessor. The facility is being established to transition four individuals from the Greene Valley Developmental Center, which is scheduled to close on June 30, 2016. The estimated project cost is \$1,370,000.00.

The anticipated filing date of the application is on or before November 11, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.

Upon written request by interested parties, a local fact-finding hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

39364510

November 20, 2015**3:30 pm****AFFIDAVIT**

STATE OF GEORGIA

COUNTY OF FULTON

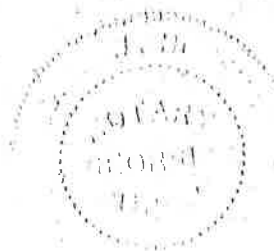
Robert J. Taylor, being first duly sworn, says that I am the applicant named in this Certificate of Need application, or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

OPEN ARMS CARE CORPORATIONBy: 

Name: Robert J. Taylor, IV

Title: President

Sworn to and subscribed before me, a Notary Public, this the 18 day of November, 2015, witness my hand at office in the County of FULTON, State of Georgia.


NOTARY PUBLICMy commission expires 10-16-16

SUPPLEMENTAL #2

November 25, 2015**12:47 pm****State of Tennessee****Health Services and Development Agency**Andrew Jackson Building, 9th Floor, 502 Deaderick Street,
Nashville, TN 37243**www.tn.gov/hsda** Phone: 615-741-2364/Fax: 615/532-9940

November 25, 2015

Michael D. Brent

Attorney

Bradley Arant Boult Cummings, LLP

1600 Division Street, Suite 700

Nashville, Tennessee 37203

RE: Certificate of Need Application CN1511-051
Open Arms Corporation d/b/a Hamilton County # 2 Gamble Road (Southwest)

Dear Mr. Brent:

This will acknowledge our November 20, 2015 receipt of your supplemental response (Supplemental 1) regarding your application for a Certificate of Need for the establishment of a four (4) bed home for individuals with Intellectual Disabilities (ICF/IID) located on an unaddressed 1.5 acre site on the southwest quadrant of a 15.5 acre parcel (Parcel 061 045) currently being addressed as 7817 Gamble Road in Georgetown (Hamilton County), Tennessee 37336, approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by Noon., Monday, November 30, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 6

Your responses to this item are noted. Based on the information provided, the acquisition of the 15.5acre site by FDG from the current owner for construction of the 2 residential homes and the lease between WCO and the applicant appear to be fully documented.

However, acquisition of the land with residential home by Woodbine Community Organization (WCO) from FDG, the subject of the attached Development Agreement between the parties submitted in Supplemental 1, remains unclear.

Mr. Michael Brent
November 25, 2015
Page 2

November 25, 2015

12:47 pm

- Please identify the section in the document where it is stated that after converting to a permanent loan, FDG will then assign the commercial loan to WCO. What will be the expected interest rate and terms of that loan agreement?
- Please provide a revised letter or addendum from Servis 1st Bank that documents willingness/acceptance of FDG assigning the loan to WCO.

Response: Please see Supplemental Attachment – Supplemental Letter from Servis 1st Bank for Servis 1st Bank's acknowledgment of the loan assignment to WCO and Supplemental Attachment – Supplemental Letter from FDG for a letter from FDG confirming the assignment of the loan to WCO and WCO's acceptance of the assignment.

2. Section C. (Economic Feasibility) Item 2 (Funding)

As noted in the preceding question, please provide a revised letter or addendum that documents acceptance/willingness of FDG assigning the loan to WCO.

Response: Please see Supplemental Attachment – Supplemental Letter from FDG for a letter from FDG confirming the assignment of the loan to WCO and the latter's acceptance of the assignment. Please also see Supplemental Attachment – Replacement Phase I-IV Chart.

3. Section C. (Economic Feasibility) Item 6.B

Your explanation is noted. However, based on the listing of residential homes operated by Orange Grove in Hamilton County, it appears that many are 4 bed homes. Please provide charge data for those facilities.

Response: The charge data for the Orange Grove Hamilton County facilities is listed below. Charge data is based on ICF/IID statistical data reflecting established per diem rates effective either late summer or early fall, as indicated in a November 24, 2015 email from Terry Jordan-Henley providing the information in the chart below. Rates are charged per person supported per day and are established by the Tennessee Comptroller of the Treasury. Please note that, while facility addresses are not provided, names are consistent with previously submitted information.

Orange Grove 4-Bed ICF Established Per Diem Rates	
	Rate
Orange Grove - C	\$504.38
Orange Grove - D	\$423.47
Orange Grove - E	\$492.26
Orange Grove - F	\$558.10
Orange Grove - G	\$516.13
Orange Grove - H	\$471.78
Orange Grove - I	\$530.57
Orange Grove - J	\$414.06
Orange Grove - K	\$526.96

Orange Grove 4-Bed ICF Established Per Diem Rates	
	Rate
Orange Grove - L	\$588.75
Orange Grove - M	\$370.79
Orange Grove - N	\$359.64
Orange Grove - O	\$624.00
Orange Grove - P	\$515.46
Orange Grove - Q	\$527.82
Orange Grove - R	\$529.61

4. Section C (Contribution to Orderly Development) Item 3. (Current & Anticipated Staffing)

Please also explain what types of clinical disciplines are included in the separate category for "Direct Support Staff".

Response: The Direct Support Staff category refers only to Direct Support Professionals, who assist residents in developing skills in self-help, communication, and socialization as well as training in daily living activities such as hygiene. Direct Support Professionals must have a high school diploma or GED equivalent and must receive annual CPR certification and training sessions on topics such as Crisis Prevention Intervention, Abuse and Neglect, and the American Disabilities Act.

5. Proof of Publication

Please submit an **original** full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

Response: A copy of the 2-page publication affidavit, which was signed and notarized by a newspaper representative on the first page with a copy of the text of the notice of intent on the second page, is provided at Supplemental Attachment – Proof of Publication. The newspaper page showing the notice is also provided at Supplemental Attachment – Proof of Publication.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application, the sixtieth (60th) day after written Notification is January 18, 2016. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with

Mr. Michael Brent
November 25, 2015
Page 4

November 25, 2015
12:47 pm

the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Jeff Grimm
HSD Examiner

Enclosure

November 25, 2015

12:47 pm

Supplemental Attachment – Supplemental Letter from Servis 1st Bank

November 25, 2015**12:47 pm**

SERVISFIRST BANK
The Tower
611 Commerce Street
Suite 3131
Nashville, Tennessee 37203
servisfirstbank.com

November 24, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health and Development Services Agency
502 Deaderick Street, 9th Floor
Nashville, TN 37242



RE: Clarification on Financing Letter of Interest for construction and permanent financing of 9 new residential homes for Open Arms Care Corporation.

Dear Ms. Hill :

To clarify my letter of November 20, 2015, it is the intention of the parties that the original loan of up to \$8,000,000 would be a "construction loan" to Facilities Development Group, LLC, which would then be assigned to, or converted to a permanent loan to, WCO AL DP, LLC, a nonprofit limited liability company which is a wholly owned subsidiary of Woodbine Community Organization (with a 7 year maturity). The entire financing transaction (construction and permanent) is anticipated to be at interest rates and terms indicated in the November 20, 2015 letter, and documented accordingly. Please let me know if you have any further questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Berrell", written over a horizontal line.

Bill Berrell
Senior Vice President
Director, Healthcare Banking

November 25, 2015

12:47 pm

Supplemental Attachment – Supplemental Letter from FDG

November 25, 2015**12:47 pm**

FACILITIES DEVELOPMENT GROUP, LLC
SUITE 400
144 SECOND AVENUE NORTH,
NASHVILLE, TENNESSEE 37201

November 24, 2015

Ms. Melanie Hill
Executive Director
Tennessee Health and Development Services Agency
502 Deadrick Street, 9th Floor
Nashville, TN 37242

RE: Open Arms Care Group Homes

Dear Ms. Hill:

To clarify the intent of the provisions of the Development Agreement dated November 20, 2015 between Facilities Development Group, LLC, and WCO AL DP, LLC, we would note that Section 1.03 provides for the sale of the new facility after the completion of construction (with construction to be financed by a construction loan from Servis1st Bank), and Section 2.01 (e) addresses the permanent financing (which is intended to be a permanent loan for all the new facilities). This is to confirm that the intent of the parties in the Development Agreement includes the willingness of FDG to assign the loan to WCO, and the willingness of WCO to assume the loan.

Please let me know if you have any further questions.

Very truly yours,

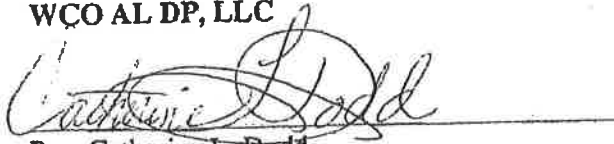
FACILITIES DEVELOPMENT GROUP, LLC



By: Richard Brown

AGREED AND ACKNOWLEDGED:

WCO AL DP, LLC



By: Catherine L. Dodd

Supplemental Attachment – Proof of Publication

November 25, 2015**12:47 pm**

2808020

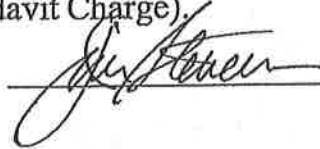
BRADLEY ARANT BOULT

STATE OF TENNESSEE HAMILTON COUNTY

Before me personally appeared Jim Stevens who being duly sworn, that he is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper and on the website on the following dates, to-wit:

November 6, 2015

And that there is due or has been paid the "CHATTANOOGA TIMES FREE PRESS" for publication of such notice the sum of \$239.32 Dollars. (Includes \$10.00 Affidavit Charge).



Sworn to and subscribed before me, this 9th day of November, 2015.



My Commission Expires 10/17/2018

November 25, 2015

12:47 pm

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the establishment of a four-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), to be managed by Integra Resources, LLC, a Tennessee limited liability company. The facility will be located on a lot which does not currently have a separate street address, such lot to be approximately 1.5 acres in the southwest quadrant of a parcel of land which is approximately 15.5 acres, the entire 15.5 acres currently being addressed as 7817 Gamble Road, Georgetown (Hamilton County), Tennessee 37336, which is located approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58, and also described as Parcel 061 045 in the records of the Hamilton County Tax Assessor. The facility is being established to transition four individuals from the Greene Valley Developmental Center, which is scheduled to close on June 30, 2016. The estimated project cost is \$1,370,000.00.

The anticipated filing date of the application is on or before November 11, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babco.com.

Upon written request by interested parties, a local fact-finding hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

39364510

100

November 25, 2015**12:47 pm****AFFIDAVIT**

STATE OF TENNESSEE

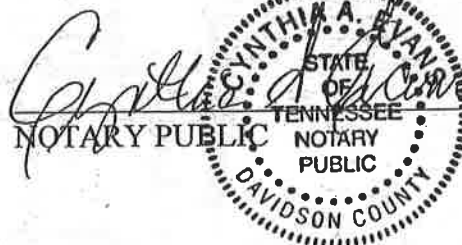
COUNTY OF DAVIDSON

Michael D. Brent, being first duly sworn, says that I am the attorney for the manager of the applicant named in this Certificate of Need application, or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Michael D. Brent, Attorney

Sworn to and subscribed before me, a Notary Public, this the 25th day of November, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

My commission expires: September 11, 2017

My Commission Expires SEPT. 11, 2017



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in The Chattanooga Times Free Press, which is a newspaper of general circulation in Hamilton County, Tennessee, on or before November 7, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Open Arms Care Corporation, a Georgia non-profit corporation qualified to do business in Tennessee, intends to file an application for a Certificate of Need for the establishment of a four-person Intermediate Care Facility for Individuals with Intellectual Disabilities ("ICF/IID"), to be managed by Integra Resources, LLC, a Tennessee limited liability company. The facility will be located on a lot which does not currently have a separate street address, such lot to be approximately 1.5 acres in the southwest quadrant of a parcel of land which is approximately 15.5 acres, the entire 15.5 acres currently being addressed as 7817 Gamble Road, Georgetown (Hamilton County), Tennessee 37336, which is located approximately 0.1 mile east of the intersection of Gamble Road and Tennessee Highway 58, and also described as Parcel 061 045 in the records of the Hamilton County Tax Assessor. The facility is being established to transition four individuals from the Greene Valley Developmental Center, which is scheduled to close on June 30, 2016. The estimated project cost is \$1,370,000.00.

The anticipated filing date of the application is on or before November 11, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babbc.com.


(Signature)

Nov. 6, 2015
(Date)

mbrent@babbc.com
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

MEMORANDUM

TO: FROM:

Melanie Hill, Executive Director
Health Services and Development Agency

Theresa Sloan, Assistant Commissioner and General Counsel;
Tennessee Department of Intellectual and Developmental Disabilities



DATE: December 3, 2015

RE: Review and Analysis of Certificate of Need Application
Open Arms Care Corporation- CN1511-051

Pursuant to, and in accordance with, Tennessee Code Annotated (TCA) § 68- 11- 1608 and Rules of the Health Services and Development Agency including the Criteria and Standards for Certificate of Need (2000 Edition, Tennessee's Health Guidelines for Growth, prepared by the Health Planning Commission) [hereinafter Guidelines for Growth], staff of the Tennessee Department of Intellectual and Developmental Disabilities (DIDD) the licensing agency, have reviewed and analyzed the above-referenced application for a Certificate of Need.

Attached is the DIDD report. At a minimum, and as noted in TCA § 68-11-1608, the report provides:

- (1) Verification of application-submitted information;
- (2) Documentation or source for data;
- (3) A review of the applicant's participation or non-participation in Tennessee's Medicaid program, TennCare or its successor;
- (4) Analyses of the impact of a proposed project on the utilization of existing providers and the financial consequences to existing providers from any loss of utilization that would result from the proposed project;
- (5) Specific determinations as to whether a proposed project is consistent with the state health plan;
- (6) Further studies and inquiries necessary to evaluate the application pursuant to the rules of the agency.

If there are any questions, please contact me at (615) 253-6811

cc: Debra K. Payne, Commissioner, DIDD
Jordan Allen, Deputy Commissioner, DIDD
John Craven, ETRO Director, DIDD
Lee Vestal, Director of Risk Management and Licensure, DIDD

REVIEW AND ANALYSIS CERTIFICATE OF NEED APPLICATION
CN1511-051

Opening Remarks on the Project

Pursuant to, and in accordance with, Tennessee Code Annotated (TCA) § 68-11-1608 and Rules of the Health Services and Development Agency including the Criteria and Standards for Certificate of Need (2000 Edition, Tennessee's Health Guidelines for Growth, prepared by the Health Planning Commission) [hereinafter Guidelines for Growth], staff of the Tennessee Department of Intellectual and Developmental Disabilities (DIDD), the licensing agency, have reviewed and analyzed the application for a Certificate of Need submitted by Michael Brent, Esq. (Bradley Arant Boult Cummings, LLP.) on behalf of Open Arms Care Corporation for the establishment of a new, four bed Intermediate Care Facility for individuals with Intellectual Disabilities (ICF/IID) to be located at 7817 Gamble Road, Georgetown, Hamilton County, TN. Open Arms Care Corporation is a Georgia non-profit corporation qualified to do business in Tennessee. Due to the closure of the state run Greene Valley Developmental Center (GVDC), these beds are being created for the transition of persons residing at the GVDC whose family members live in or near Hamilton County TN.

The report has three (3) parts:

- A. Summary of Project
- B. Analysis - in three (3) parts:

<u>Need</u>	<u>Economic Feasibility</u>	<u>Contribution to the Orderly</u>
<p>Evaluated by the following general factors:</p> <ul style="list-style-type: none"> A. Relationship to any existing applicable plans; B. Population to be served; C. Existing or Certified Services or Institutions; D. Reasonableness of the service area; E. Special needs of the service area population (particularly women, racial and ethnic minorities, and low-income groups); F. Comparison of utilization/ occupancy trends and services offered by other area providers; G. Extent to which Medicare, Medicaid, and medically indigent patients will be served; and H. Additional factors specified in the Tennessee's Health Guidelines for Growth publication for this type of facility. 	<p>Evaluated by the following general factors:</p> <ul style="list-style-type: none"> A. Whether adequate funds are available to complete the project; B. Reasonableness of costs; C. Anticipated revenue and the impact on existing patient charges; D. Participation in state/federal revenue programs; E. Alternatives considered; F. Availability of less costly or more effective alternative methods; and G. Additional factors specified in the Tennessee's Health Guidelines for Growth publication. 	<p><u>Development of Health Care</u></p> <p>Evaluated by the following general factors:</p> <ul style="list-style-type: none"> A. Relationship to the existing health care system (i.e., transfer agreements, contractual agreements for health services, and affiliation of the project with health professional schools); B. Positive or negative effects attributed to duplication or competition; C. Availability and accessibility of human resources required; D. Quality of the project in relation to applicable governmental or professional standards; and E. Additional factors specified in the Tennessee's Health Guidelines for Growth publication.

- C. Conclusions

A: SUMMARY OF PROJECT

Submission of Application

Michael Brent, Esq. (Bradley Arant Boult Cummings, LLP.), on behalf of Open Arms Care Corporation has submitted this CON, for the establishment of a new, four bed Intermediate Care Facility for individuals with Intellectual Disabilities (ICF/IID) to be located at 7817 Gamble Road, Georgetown, Hamilton County, TN. Due to the closure of the state run Greene Valley Developmental Center (GVDC), these beds are being created for the transition of persons residing at the GVDC whose family members live in or near Hamilton County TN.

The Applicant Profile indicates that the type of institution is "Mental Retardation Institutional Habilitation Facility (ICF/MR)" (Item 7.H.) and the purpose of review is "New Institution" (Item 8.A.).

Applicant Profile, Ownership, Management, and Licensure

As previously noted, the Applicant Profile indicates that the type of institution is "Mental Retardation Institutional Habilitation Facility" (Item 7.H.) and the purpose of review is "New Institution" (Items 8.A.). The Applicant Profile also shows that the Owner of the Facility, Agency or Institution, is Open Arms Care Corporation, which will be operated by Integra Resources, LLC. Item 9 of the Applicant Profile shows the bed complement as noted previously: four ICF/IID beds all of which are the number of proposed beds and beds at completion.

In Section B Project Description the Applicant explains and details the project as being the construction of a new four bed ICF/IID facility in Georgetown, TN. This facility will be constructed or the purpose of transitioning four individuals from the GVDC into a smaller group home in the community. This transition is required as a result of the closure of the GVDC as a result of an agreed upon exit plan in a 19 year old lawsuit *People First of Tennessee, et al. v. Clover Bottom Developmental Center, et al.* Open Arms Care Corporation has financial resources to open this home as shown in Section C Economic feasibility of Original CON Application.

The applicant currently is a licensed and Medicaid-certified ICF/IID provider in Tennessee and has been providing care for approximately one third of the state's population requiring ICF/IID services since 1990. The Applicant operates over 30 facilities across Tennessee and is very familiar with the licensing process through DIDD. A new license for a Mental Retardation Institutional Facility would be issued by DIDD, to provide ICF/IID services at this home.

Scope of the Proposed Project

As noted, the Applicant seeks to establish a new four bed ICF/IID at to be located at 7817 Gamble Road, Georgetown, Hamilton County, TN. The new facility will serve individuals with severe Intellectual Disabilities who require institutional level of care. These individuals have multiple special needs including health care, assistance with hygiene, dietary services, physical therapy, and activities of daily living. Open Arms Care Corporation is a private, not-for-profit corporation which has cared for approximately one third of the state's population requiring ICF/IID services since 1990. The Applicant operates over 30

facilities across Tennessee.

Operations

The proposed service area identified by the applicant is Hamilton County in East Tennessee.

The need for the development of four bed ICF/IID home comes as a direct result of the announced closure of the last large state owned developmental center, Greene Valley Developmental Center (GVDC), which is anticipated to close on June 30, 2016. The closure of GVDC is part of an Exit Plan in a nineteen (19) year old lawsuit against the state of Tennessee by the Department of Justice (People First of Tennessee et. al. v. The Clover Bottom Developmental Center et. al. No. 3:95-1227) regarding unconstitutional conditions at four (4) developmental centers in Tennessee. The last obligation in the Exit Plan, which once complete will result in a full dismissal of the law suit, is the closure of GVDC and the transition of all residents into smaller homes in the community, such as the home this CON is being requested to build.

Project costs are estimated at \$1,370,000, as noted on page R-29 of Supplemental #1, for completion of the new four bed home. The projected date of completion of the project and the initiation of services is December, 2016.

B: ANALYSIS

NEED:

The Guidelines for Growth include a population-based estimate of the total need for ICF/IID facilities of 0.032 percent of the general population. This estimate is based on the estimate for all Intellectual Disabilities of 1 percent of the general population. Of the 1 percent estimate, 3.2 percent are estimated to meet level 1 criteria and be appropriate for ICF/IID services. The applicant identified the proposed service area for this project as Hamilton County in East Tennessee. The total population in Hamilton County as of 2015 is estimated at 352,955 with 136 ICF/IID beds in the county. Applying the Guidelines for Growth formula to this population estimate indicates a need for 113 ICF/IID beds in this service area. However, this formula was developed prior to the plan for closure of the GVDC and does not reflect the actual needs for ICF/IID beds as a result of the closure. Currently GVDC has 85 ICF/IID beds in Greene County, with the closure of GVDC these beds will no longer be available to support persons with ID who qualify for and need an institutional level of care and currently live in East TN. All four of the proposed new ICF/IID beds will be created to support persons moving out of the GVDC. Therefore, the need for these ICF/IID beds is present, and under the current circumstances the closure of GVDC and the 85 beds currently located there must be taken into consideration when applying the Guidelines for Growth formula. The approval of these beds will have no net increase in the number of ICF/IID beds with the closure of GVDC.

ECONOMIC FEASIBILITY:

The anticipated cost for this project is \$1,370,000 for construction of the new four bed ICF/IID home as described above. Based on information submitted by the applicant, sufficient cash reserves appear to be in place to fund this project, as outlined in Attachment C. Economic Feasibility-2). The project financing

will include a commercial loan to the landlord. The project involves the construction of a new four bed ICF/IID home located in Georgetown, Tennessee. It is a 2800 square foot, one story home located on a 1.37 acre lot. As explained on Page 14 of the application, the facility design includes four bedrooms, living room, dining room, kitchen, laundry, and associated storage areas. The home will have two large, fully accessible bathrooms and one half bath. It will be constructed of brick with asphalt shingles and will have a residential sprinkler system. As explained above the construction of this ICF/IID home will add four additional ICF beds in Hamilton County.

Open Arms Care Corporation, projects an occupancy rate of 100% for this project for both year 1 and year 2, since the beds will be immediately filled by the relocation of residents from the Greene Valley Developmental Center. The majority of ICF/IIDs in its proposed service area operated at 100% occupancy across the full three year period. Based on this information the projected occupancy rate appears to be reasonable.

Net operating revenue is anticipated of \$1,004,405 the first year of operation and \$1,024,493 the second year. All revenue will be from Medicaid. The average gross charge is expected to be \$793.04 per day for the first year of operation. The per diem rates for ICF/IID facilities are set by the State of Tennessee Comptroller's Office, based on the "Intermediate Care Facility Statement of Reimbursable Cost" form submitted annually by all ICF/IID providers.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE:

Open Arms Care Corporation plans to fill the four ICF/MR beds associated with this project by relocating four residents from the Greene Valley Developmental Center. There are no other ICF/IID facilities in the proposed service area in East Tennessee with vacant ICF/IID beds, so this proposal should not have a negative impact on other providers. Open Arms Care Corporation will provide complete support services for residents of this facility based on their individual care plans. Open Arms Corporation is in the process of developing relationships with all area hospitals, there is no difficulty anticipated in this given the years of ICF/IID experience this provider has in other areas of the state.

The proposed staffing pattern reported by the applicant provides for the current staffing levels required by ICF/IID regulations, which includes .33 FTE hours for RN, 2.8 FTE hours for LPN staff, and 11.23 FTE hours for Direct Support Professionals. This appears to be a sufficient number of nurses and direct support professionals to staff the four bed home.

Open Arms Care Corporation ICF/IID facility would be licensed by the Tennessee Department of Intellectual and Developmental Disabilities as a Mental Retardation Institutional Habilitation Facility. The applicant currently is a licensed and Medicaid-certified ICF/IID provider in Tennessee and has been providing care for approximately one third of the state's population requiring ICF/IID services since 1990. The Applicant operates over 30 facilities across Tennessee and is very familiar with the licensing process through DIDD.

C: CONCLUSIONS:

As noted above, the Department of Intellectual and Developmental Disabilities (DIDD) is the agency responsible for licensing Mental Retardation Institutional Habilitation Facilities, which provide ICF/IID service and is also the department that is responsible for the provision of services for individuals with intellectual disabilities. Therefore, DIDD as the experts in the field of intellectual and developmental disabilities has reached the following conclusion regarding this Open Arms Care Corporation Certificate of Need application for establishment of a four bed ICF/IID facility in Hamilton County to serve individuals being relocated from the GVDC.

The Need for the approval of a four bed ICF/IID operated by Open Arms Care Corporation is supported by the Guidelines for Growth population-based formula, with the closure of GVDC being taken into account. Need for the four bed ICF/IID facility is also supported by the Exit Plan in a nineteen (19) year old lawsuit against the state of Tennessee by the Department of Justice (People First of Tennessee et. al. v. The Clover Bottom Developmental Center et. al. No. 3:95-1227), which requires the state of Tennessee to close the Greene Valley Developmental Center and relocate the residents to smaller four person ICF/IIDs in the community.

The cost of the project appears to be reasonable, and will save the state money based on the closure of the GVDC and the cost associated with running an older larger congregate facility. The project can be completed in a timely manner. Adequate funding is available and projected utilization and revenue should be sufficient to ensure the economic feasibility of the project.

This project would contribute to the orderly development of healthcare by allowing residents of the GVDC to receive services in a smaller, more personal living environment consistent with current standards of care for individuals requiring ICF/IID services.

In conclusion, the Department of Intellectual and Developmental Disabilities supports approval of Open Arms Care Corporation's Certificate of Need application for the establishment of a four bed ICF/IID in Hamilton County Tennessee.